COVER SHEET

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SEC Registration Number

CHELSEA LOGISTICS AND
INFRASTRUCTURE HOLDINGS CORP
AND SUBSIDIARIES

(Company's Full Name)

STELLA HIZON REYES ROAD
BO. PAMPANGA
DAVAO CITY 8000

(Business Address: No. Street City/Town/Province)

MA. HENEDINA V. SAN JUAN
(Contact Person)

+63 82 224 5373
(Company Telephone Number)

1 2 3 1
Month *Day*
(Fiscal Year)

17-A
(Form Type)

Month *Day*
(Annual Meeting)

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

ANNUAL REPORT OF CHELSEA LOGISTICS AND INFRASTRUCTURE HOLDINGS CORP.
PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE (THE "CODE" OR "SRC")

1.	For the fiscal year ended:	**31 December 2020**
2.	Name of registrant as specified in its charter:	**CHELSEA LOGISTICS AND INFRASTRUCTURE HOLDINGS CORP. (the "Company" or "CLIHC")**
3.	Country of Incorporation:	**REPUBLIC OF THE PHILIPPINES**
4.	SEC Identification Number:	**CS201619734**
5.	BIR Tax Identification Code:	**009-393-167-000**
6.	Industry Classification Code:	☐ (SEC Use Only)
7.	Address of principal office:	**Stella Hizon Reyes Road, Bo. Pampanga Davao City 8000**
8.	Registrant's telephone number:	**(082)224-5373**

9. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the SRC:

Title of Each Class	Par Value	Number of Shares
Common Shares	**₱ 1.00**	**1,821,977,615**

10. Are any or all of Company's securities listed on a Stock Exchange?

__√__ Yes ______ No

If yes, disclose the name of such Stock Exchange and the class of securities listed therein:
Philippine Stock Exchange – Common Shares

11. Check whether the issuer:

1. Has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Section 11 of the RSA and RSA Rule 11(a) – 1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports):

   __√__ Yes ______ No

2. Has been subject to such filing requirements for the past ninety (90) days.

   __√__ Yes ______ No

Contents

PART I – BUSINESS AND GENERAL INFORMATION

I. Business Overview

Item 1. Historical Background

Chelsea Logistics and Infrastructure Holdings Corp. (CLIHC) is a corporation organized and registered with the Philippine Securities and Exchange Commission (SEC) as 'Chelsea Shipping Group Corp.' on August 26, 2016, primarily to act as a holding company.

On November 24, 2016, the Company acquired all of the outstanding shares of Chelsea Shipping Corp. (CSC) from P-H-O-E-N-I-X Petroleum Philippines, Inc. (PPPI), a related party under common ownership, for a total consideration of ₱2.0 billion.

On December 12, 2016, the Company acquired 100% ownership interest in Trans-Asia Shipping Lines, Incorporated for a total consideration of ₱216.3 million.

On December 21, 2016, the Securities and Exchange Commission approved the application of the Company to amend its corporate name from "Chelsea Shipping Group Corp." to "Chelsea Logistics Corp." and on June 27, 2017 the change from "Chelsea Logistics Corp." to "Chelsea Logistics Holdings Corp.", and on 7 May 2019 the change from "Chelsea Logistics Holdings Corp." to "Chelsea Logistics and Infrastructure Holdings Corp."

On March 27, 2017, CLIHC acquired all of Udenna Investments BV's (UIBV) outstanding capital stock through a share swap agreement with Udenna Corporation wherein Udenna Corporation transferred to CLIHC 18,200 UIBV shares. In exchange, CLIHC issued 775,384,615 new common shares from its authorized and unissued capital stock in favor of Udenna. UIBV owns 80% economic interest in KGLI-NM, a domestic corporation which was incorporated on August 8, 2008, and which holds 39.85% economic interest in Negros Navigation co., Inc. (NENACO). NENACO, in turn owns 88.31% of 2Go Group, Inc. On May 11, 2020, the Company acquired 100% ownership interest of Pref C shares of KGLI-NM for a total consideration of ₱0.2 million. KGLI-NM, in which the Group holds 80% economic interest and 39.71% voting interest, through UIBV, was recognized as an associate until the acquisition. After the acquisition, the effective voting rights of the Group over KGLI-NM increased from 39.71% in 2019 to 90.07% in 2020. Hence, CLIHC has a 35.71% indirect economic interest in 2Go. NENACO and 2Go are the largest supply chain enterprise and endo-to-end solutions provider in the Philippines.

On August 8, 2017, the Company went public and its shares of stock were initially listed at the Philippine Stock Exchange (PSE).

On November 8, 2017, the Company acquired WorkLink Services, Inc., a one-stop integrated logistics solutions provider. Subsequently, on November 9, 2017, the Company acquired Starlite Ferries, Inc., a roll-on, roll-off and passenger ship operator based in Batangas.

On October 9, 2019, the Company acquired The Supercat Fast Ferry Corporation, a shipping company engaged in the operations of fast crafts in Cebu, Batangas, Calapan, Ormoc, Bacolod, Iloilo and Tagbilaran.

On 15 March 2020, the Philippine Government imposed an Enhanced Community Quarantine which restricted the travel of people via sea transport but allowed delivery of cargo including petroleum products to continue. On passenger transport, travel to and from the NCR and other provinces, cities and municipalities has been restricted and this greatly impacted the revenues of the Group's passage vessels. Our passenger shipping business comprised 20% of our revenues in 2019.

On 10 July 2020, the Board of Directors approved the issuance of 500,000 Preferred Shares via private placement to Global Kingdom Investments Limited at the subscription price of ₱1,000.00 per share, subject to the terms and conditions specified by the Directors. The par value of the Preferred Shares is One Peso (₱1.00) per share.

On the same date, the Board of Directors also approved the increase in the authorized capital stock of the Corporation to ₱3,500,000,000.00. The increase of 1,500,000,000 shares, consists of all Common Shares. Udenna Corporation will subscribe to 375,000,000 Common Shares, which is 25% of the increase in Common shares, at the price of ₱3.26 per share with reference to the 90-day VWAP. The par value of the Common Shares in One Peso (₱1.00) per share.

On 3 August 2020, the Company accepted the Protocol of Delivery and Acceptance of MV Starlite Venus (Builders No. Hull S-1191) at Kegoya Dock in Japan. This vessel measures 97.78 meter in length and has a carrying a carrying capacity of 740 passengers, 22 buses, and six trucks.

On October 6, 2020, the Shareholders ratified the Board of Directors' approval of the issuance of 500,000 Preferred Shares via private placement to Global Kingdom Investments Limited at the subscription price of ₱1,000.00 per share, subject to the terms and conditions specified by the Directors. The par value of the Preferred Shares is One Peso (₱1.00) per share.

On the same date, the Shareholders also ratified the Board of Directors' approval of the increase in the authorized capital stock of the Corporation to ₱3,500,000,000.00. The increase of 1,500,000,000 shares, consists of all Common shares. Udenna Corporation will subscribe to 375,000,000 Common shares, which is 25% of the increase in Common shares, at the price of ₱3.26 per share with reference to the 90-day VWAP. The par value of the Common shares is One Peso (₱1.00) per share.

On October 30, 2020, the Board of Directors approved the sale by the Corporation of its 40,833,332 Common shares and 22,916,666 Preferred voting shares of DITO Telecommunity Corporation for a total consideration of ₱532.3 million, which is equivalent to the Corporation's paid up portion of its total subscribed shares in DITO. The Deed of Assignment was executed by the Corporation and Dito Holdings Corp. on November 11, 2020.

Item 2. Business of the Issuer

Description of Registrant

<u>Principal Products and Services</u>

CLIHC's core businesses, through its wholly-owned subsidiaries, are divided into: (i) Tankering, (ii) Passage, (iii) Freight, (iv) Tugboat services, and (v) Logistics services.

Chelsea Shipping Corp.

Chelsea Shipping Corp. (CSC), incorporated on July 17, 2006, is engaged in maritime trade in the conveyance or carriage of petroleum products, goods, wares, and merchandise of every kind and description, including but not limited to general cargo handling, loading, transporting, discharging and storing, over oceans, seas, lakes, rivers, canals, bays, harbors, and other waterways.

CSC's wholly-owned subsidiaries are engaged in the following businesses:

a. PNX-Chelsea Shipping Corp., incorporated on February 2, 2011, is engaged in operating vessels for domestic trade for conveyance or carriage of petroleum products, goods, wares, and merchandise of every kind and description, to charter in and charter out any such vessels and to provide complete maritime services.

b. Fortis Tugs Corporation, incorporated on April 8, 2013, is engaged in the towage and salvage of marine vessels and other crafts including cargoes upon seas, lakes, rivers, bays, harbors, and other waterways between the various ports of the Philippines. On December 15, 2016, FTC acquired Davao Gulf Marine Services, Inc. which operates, conducts, and provides tug and other marine services to all vessels, foreign or coastwise that dock and undock in the District Port of Davao and all other ports in the Philippines.

c. Michael, Inc., incorporated on December 26, 1957, is engaged in the charter, hire or operation of LCTs, ships, barges, or vessels, together with equipment thereof.

d. Bunkers Manila, Incorporated, incorporated on March 7, 2000, is engaged in operating inter-island vessels for domestic trade, the charter in and charter out of such vessels and provides complete marine services, as principal or agent to ship owners, ship operators and managers to any person, association, firm or corporation engaged in domestic marine and maritime business.

e. Chelsea Ship Management & Marine Services Corp., incorporated on March 30, 2012, is engaged in ship management and is authorized to act as agent, broker, ship chandler or representative of foreign/ domestic shipping corporations and individuals for the purpose of managing, operating, supervising, administering and developing the operation of vessels belonging to or which are or may be leased or operated by said shipping corporations and individuals.

f. Chelsea Marine Manpower Resources, Inc., incorporated on June 9, 2016, is engaged in providing full and partial crewing for domestic and foreign vessels, and is authorized to act as authorized representative and crew manager of shipping companies, and to provide allied maritime services for said vessels and companies.

g. Chelsea Dockyard Corp., incorporated on January 8, 2018 and is engaged in the general business of building and repair of ships, boats and other kinds of vessels as well as in ship breaking activities.

h. CD Ship Management and Marine Services Corp. , incorporated on March 14, 2018 to carry on the business of ship management and to act as agent, broker, ship chandler or representative of foreign/domestic shipping corporations and individuals for the purpose of managing, operating, supervising, administering and developing the operation of vessels belonging to or which are or may be leased or operated by said shipping corporations and individuals and for such purpose, to act as principal in and hire the services of a local manning agent for the overseas employment for seamen, and to equip any and all kinds of ships, barges and vessels of every class and description owned by any shipping corporation.

Trans-Asia Shipping Lines, Incorporated

Trans-Asia Shipping Lines, Incorporated (Trans-Asia), incorporated on March 25, 1974, is engaged in transporting passengers and cargo within Philippine territorial waters and/or in the high seas.

Trans-Asia's wholly-owned subsidiaries are engaged in the following businesses:

a. Oceanstar Shipping Corporation , incorporated on July 6, 2006, is engaged in the hire, charter, purchase or acquisition of vessels, barges, tugboats, lighters or other vessels of any class or regular services of vessels, barges, tugboats, lighters, or other vessels, and is authorized to enter into contract for the carriage and shipment in bulk or otherwise, and to conduct the business of general lighterage, towing ship chandlering, shipbrokers, freight contractors, barge and lighter owners and operators, forwarding agents, and general cargo handling operations of any all kinds of cargo.

b. Starsy Shoppe, Inc., incorporated on March 31, 2005, is engaged in the purchase of all kinds of food and beverage products and merchandise, except rice and corn, locally and/or through importation for purposes of selling the same on retail or wholesale, either local and/or through importation.

c. Dynamic Cuisine Inc., incorporated on June 21, 2000, is engaged in maintaining restaurants, coffee shops, refreshment parlors, cocktail lounges, and cooks, arranges, serves and caters goods, drinks, refreshments and other food or commodities commonly served in such establishments.

d. Quality Metal & Shipworks, Inc., incorporated on November 28, 2007, is engaged in providing machining and mechanical works on ship machineries and industrial plants.

e. Star Maritima Port and Allied Services, Inc., incorporated on October 11, 2018, is engaged primarily in providing arrastre services.

f. Big Hub Transport and Logistics Corp., incorporated on November 14, 2018 is engaged in the business of transporting by land persons and/or their baggages, cargo, goods merchandise or effects, and to own, lease or charter, offer for lease or charter or operate land vehicles such as, but not limited to buses, cars, jeeps or vans.

Worklink Services, Inc.

Worklink Services, Inc. (WSI), established in February 1999, provides domestic logistics solution for various local industries. WSI's services are the following:

a. Courier – Document (via Air/Land) and Non-document (via Air/Land/Sea)
b. Trucking – Rental and hauling
c. Warehousing – warehouse rental, inventory management, pick and pack, online shipping
d. Special Projects – Account Management such as event management, manpower, in-store or trade merchandising/design set-up; and Drop Box Management such audit and encoding.

Starlite Ferries, Inc.

Starlite Ferries, Inc. (SFI), incorporated on 26 August 1994, is engaged in the general business of domestic shipping to own and operate any class, type or description for domestic trade, to charter in and out any such vessels. SFI is one of the dominant shipping companies in the Batangas – Calapan and Roxas – Caticlan trade routes.

SFI has a wholly-owned subsidiary, Starbites Food Services Corp., incorporated on 27 June 2018 and is established to purchase all kinds of food and beverage products and merchandise, except rice and corn, locally and/or through importation, for purposes of selling the same on retail or wholesale locally.

On August 10, 2018 and October 22, 2018, SFI acquired all of the outstanding shares of stock of Southwest Gallant Ferries, Inc. (SGFI) and Southwest Premiere Ferries, Inc. (SPFI), respectively. Both companies are primarily engaged in the general business of domestic shipping; to own and operate vessel of any class, type or description for domestic trade; and to charter in and out any vessel. Southwest Gallant Ferries, Inc. has been re-named Starlite Gallant Ferries, Inc. and Southwest Premiere Ferries, Inc. has been re-named Starlite Premiere Ferries, Inc.

The Supercat Fast Ferry Corporation

The Supercat Fast Ferry Corporation incorporated on 20 June 2001 is engaged in the business of passenger transport. It operates 11 fastcrafts plying the routes of Cebu- Ormoc, Cebu-Tagbilaran, Batangas – Calapan, and Bacolod-Iloilo.

Tasli Services Incorporated

Tasli Services Incorporated was incorporated on September 10, 2019 and is engaged in the shipping agency business and maritime operations and services.

Item 3. Subsidiaries

The following is the list of the Company's subsidiaries/affiliates as of December 31, 2020:

Company	Place of Incorporation	Principal Activities	Date of Incorporation	Ownership (%)
Chelsea Shipping Corp.	Philippines	Petroleum hauling	17 July 2006	100%
PNX-Chelsea Shipping Corp. [1]	Philippines	Petroleum hauling	2 February 2011	100%
Fortis Tugs Corporation[1]	Philippines	Towage, salvage of marine vessels	8 April 2013	100%
Davao Gulf Marine Services Inc.[2]	Philippines	Towage, salvage of marine vessels	18 January 2012	100%
Michael Inc. [1]	Philippines	Cargo transport	26 December 1957	100%
Bunkers Manila, Incorporated[1]	Philippines	Inter-island vessels for domestic trade	7 March 2000	100%
Chelsea Ship Management & Marine Services Corp. [1]	Philippines	Ship management services	30 March 2012	100%
Chelsea Marine Manpower Resources, Inc. [1]	Philippines	Crewing	9 June 2016	100%
Chelsea Dockyard Corp. [1]	Philippines	Ship repairs and maintenance	8 January 2018	100%
CD Ship Management and Marine Services Corp. [1]	Philippines	Ship management services	14 March 2018	100%

Company	Place of Incorporation	Principal Activities	Date of Incorporation	Ownership (%)
Chelsea Shipping and Logistics Pte. Ltd.	Singapore	Management consultancy services	2012	100%
Trans-Asia Shipping Lines, Incorporated	Philippines	Cargo/ passengers inter-island transport	25 March 1974	100%
Ocean Star Shipping Corporation[3]	Philippines	Towing services	6 July 2006	100%
Starsy Shoppe, Inc. [3]	Philippines	Gift shop & convenience store	31 March 2005	100%
Dynamic Cuisine Inc. [3]	Philippines	On-board restaurant	21 June 2000	100%
Quality Metal & Shipworks, Inc. [3]	Philippines	Ship repairs and maintenance	28 November 2007	100%
Star Maritima Port and Allied Services, Inc. [3]	Philippines	Arrastre services	11 October 2018	100%
Big Hub Transport and Logistics Corp.	Philippines	Trucking services	24 November	100%
Worklink Services, Inc.	Philippines	Logistics and forwarding	February 1999	100%
Starlite Ferries, Inc.	Philippines	Cargo/passengers inter-island transport	26 August 1994	100%
Starbites Food Services Corp.[4]	Philippines	On-board restaurant	27 June 2018	100%
Starlite Gallant Ferries, Inc. [4]	Philippines	Cargo/passengers inter-island transport	16 March 2017	100%
Starlite Premiere Ferries, Inc.[4]	Philippines	Cargo/passengers inter-island transport	26 July 2016	100%
The Supercat Fast Ferry Corporation	Philippines	Inter-island transport	20 June 2001	100%
TASLI Services Incorporated	Philippines	Shipping agency business; maritime operations / services	10 September 2019	100%
Udenna Investments BV	The Netherlands	Holding Company	25 August 1994	100%
KGLI – NM Holdings, Inc.* subsidiary of Udenna Investments BV	Philippines	Holding Company	8 August 2008	90.07%
Dito Holdings Corp.	Philippines	Holding Company	4 November 2019	10.54%

[1]*Wholly-owned subsidiary of Chelsea Shipping*

[2]*Wholly-owned subsidiary of Fortis Tugs*

[3]*Wholly-owned subsidiary of Trans-Asia*

[4]*Wholly-owned subsidiary of Starlite*

Item 4. Significant Philippine Associates and Affiliates

Company	Place of Incorporation	Principal Activities	Date of Incorporation	Relationship
Udenna Corporation	Philippines	Holding Company	19 March 2002	Parent of Chelsea Logistics and Infrastructure Holdings Corp.
Phoenix Petroleum Philippines, Inc.	Philippines	Petroleum	8 May 2002	34.30% owned by Udenna Corporation
2Go Group, Inc.*	Philippines	Logistics and forwarding	26 May 1949	28.18% owned by Chelsea Logistics and Infrastructure Holdings Corp.
PH Resorts Group Holdings, Inc.	Philippines	Tourism and gaming	30 January 2009	90% owned by Udenna Corporation
Dito CME Holdings Corp.	Philippines	Holding Company	1 March 1925	31.56% owned by Dennison Holdings Corp.

* The Company has entered into a Share Purchase Agreement to sell its entire shareholdings in 2Go Group, Inc. on March 18, 2021. The Company is expected to complete the disposal within 90 days from signing of the Agreement.

Item 5. Competition

<u>Shipping and Logistics Industry in the Philippines</u>

The shipping and logistics sectors play significant roles in the Philippine economic growth and development. As an archipelagic country, the Philippines consists of 7,641 islands with a total coastline of 36,289 kilometers. The country ranks 7th in the world with the highest number of islands and 5th in the longest coastline. The maritime waters, of more than 2,200,000 kilometers, is 7x larger than the total area of 300,000 square kilometers. Due to the nature of the country's geographic landscape, sea transport is still the overall most efficient and effective way to transport major goods, especially commodities, in domestic and international trade. [1]It is also the efficient way to transport passengers throughout the islands.

In fact, as of 2019 Q3, the Philippine Statistics Authority estimated that 99.8% of domestic commodities were traded through water. Domestic trade has also risen by 10.2% to a total of 25.78 million tons in 2018, from 23.40 million tons in 2017. The Maritime Industry Authority reported a total of 72.1 million sea passengers in 2017, up by 46% from 49.5 million in 2011. The opening of new routes and robust economic growth have contributed to the growth in trades and islands' access to exciting opportunities. The Company aims to benefit from these growing sectors by providing reliable shipping services and logistics products to the Filipino people as it supports the business environment by connecting the islands through trading of goods and bringing passengers to their destinations.

The logistics sector is also seen to a grow in support to the booming ecommerce and properties sectors. It is expected to be supported by the government's Build Build Build projects and the easing of regulations for doing business in the country.

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[1]Maritime Development Authority, "Maritime Industry Development Plan", December 2018, https://marina.gov.ph/

A. Freight

The Company's Freight business is supported by its various subsidiaries operating nationwide: Chelsea Shipping and Trans-Asia Shipping Lines handle shipping cargoes; while Worklink Solutions provides end-to-end logistics solutions through its 60 delivery trucks and 13,200 sq.m. of warehouse capacity.

Below are the top five (5) major competitors in the Freight sector:
1. F2 Logistics
2. Air 21
3. AP Cargo
4. LBC
5. JRS Express

B. Tankers

The transport of petroleum products is one of the essential businesses that propel the growth of the Philippine economy. There are approximately 7,400 islands in the country, of which more than half are inhabited. The populace needs fuel for transportation, electrical power, farming and other activities. It is the oil tankers and trucks which make sure that fuel is transported to places in our country where and when it is needed.

As of September 2017, the Maritime Industry Authority registered approximately 293 oil tankers in the country. Majority of these vessels are 500 gross registered tonnage (GRT) or below, and the rest ranges from 501 GRT to 5,052 GRT in size. The aggregate tonnage of these tankers is about 190,876 GRT.

Below are the five (5) major competitors of CLIHC in the tanker business, these companies have a fleet of four (4) or more vessels:
1. Petrolift Group
2. Herma Shipping Group
3. Shogun Ships Co., Inc.
4. Via Marine
5. Magsaysay Group

These tanker owners have an approximately 65 tankers combined with an aggregate tonnage of about 105,764 GRT.

C. Tugboats

Tugboats are small, powerful boats that are used to maneuver vessels of larger size by pushing and towing them. These are especially useful in narrow & difficult waterways and crowded ports. Although tugboats are usually utilized for docking & undocking procedures, they also have a wide range of applications including vessel rescue and steering structures without an independent propulsion system. Without tugboats, entry and exit of vessels from ports would be markedly less efficient and vessels would experience faster wear and tear.

According to the latest records from the MARINA, there are 791 registered tugboats in the Philippines. More than half of these tugboats are less than 100 GRT. Majority of smaller GRT tugboats hold a Bay & River trading license from MARINA while bigger vessels hold a Coastwise license. The top two (2) industry players in the tugboat industry account for more than 24% of the total tugboats over 100 GRT.

CLIHC competitors in providing tugboat services include:

1. Harbor Star Shipping Services, Inc.
2. Malayan Towage and Salvage Corporation
3. Pilot-operated Tugs

D. Roll-on-Roll-off Passenger Ship/Ferry

Roll-On-Roll-Off-Passenger-ship/ferry (RoPax) refers to vessels that can accommodate passengers along with freight vehicle transport. Given the archipelagic nature of the country, RoPax vessels are vital in transporting people and goods across the different islands. Given their accessibility and capability of ferrying large amounts of goods and manpower, passenger and freight vessels are an integral part of the logistical backbone of the Philippines.

There are over 7,100 RoPax vessels registered with the MARINA. A large majority of this (98%) is less than 500 GRT in size and is personally owned. The largest industry players for commercial vessels account for more than a third of the aggregate tonnage of 355,773 GRT.

Chelsea Logistics' main competitors in the RoPax segment include:

1. Asian Marine Transport Corporation
2. Cokaliong Shipping Lines, Inc.
3. Lite Shipping Corporation
4. Montenegro Shipping Inc.
5. Archipelago Philippine Ferries Corporation
6. Island Water

Item 6. Costs and Effect of Compliance with Environmental Laws

For the year ended December 31, 2020, the Company incurred ₱7,159,603.72 for costs relating to compliance with environmental laws as required by the MARINA. This pertains to daily waste management expenses. For the years 2018 and 2019, the Company incurred costs of ₱2,059,383.00 and ₱9,629,948.00, respectively.

Item 7. Employees and Agreements of Labor Contracts, Including Duration

As of December 31, 2020, the Company has a total of 2,116 employees, 1,066 of which are crewmen and are stationed at various ports of operation, while the other 1,050 employees are office personnel or are members of support services. These exclude 2Go Group employees.

Crewmen consist of captains, engineers, mechanics, divers, and able-bodied personnel. On the other hand, office personnel are comprised of the sales and marketing group, accounting and finance professionals, administrative services employees and the operations department.

A bachelor's degree in a relevant field is required of each one of the Company's directly-hired employees. For deck and engine crew, a MARINA-issued Qualification Document Certification is also mandated by the Company prior to employment.

Benefits received by employees include government-mandated benefits (Social Security System, Pag-ibig, and PhilHealth), rice subsidies, vacation leave of 15 days per year, health plans, and retirement pay. The Company supports employee development thru the conduct of in-house seminars, drills and training. Employees are enrolled in various technical, professional, management and leadership training, here and abroad. One of CLIHC's subsidiaries, Trans-Asia Shipping Lines Incorporated, has two (2) existing labor unions, one for its supervisors and one for its rank and file employees. Both unions have existing Collective Bargaining Agreements valid from August 11, 2017 to August 10, 2022. The relationship with the unions has been generally harmonious and there has been no incidence of labor strikes in the past three (3) years, up to the present. There is also no impending or threatened labor strike.

Item 8. Corporate Social Responsibility

Chelsea Logistics and Infrastructure Holdings Corp. and its Subsidiaries (CLIHC Group) are driven to deliver exceptional performance by promoting innovative and integrated shipping and logistics services and diligent stewardship of their resources. The CLIHC Group continues to strengthen its partnerships with the local communities to achieve tangible and sustainable Corporate Social Responsibilities (CSR) Program Plans, thereby maximizing favorable impact on the society and environment.

The CLIHC Group is one with the country and the global community in the promotion and realization of sustainable development goals with priority on quality education, climate action, gender equality, and inclusive partnerships.

Building Pillars Toward Sustainability

At the heart of everything that the CLIHC Group does is the genuine commitment to manage its businesses responsibly, by adhering to the highest ethical and professional standards for the people, the country, and the environment, and to give back to the communities where the Group operates.

CLIHC through its subsidiaries, recognizes its important role in helping build a sustainable nation. Our motivation is simple: a better world. We believe that every positive action, no matter how small, can lead to a big improvement for the planet and its people.

Our directive is to be one with the country and the global community in promoting and realizing global sustainable development goals through transformation of our people and processes.

Reducing our Carbon Footprint

We are committed to maintaining our position as a leader in the industry and we understand our great responsibility to the environment and our stakeholders. Thus, we have entered into strategic partnerships with leading Japan-based shipbuilders, namely Kegoya Dock Co., Ltd. and Fukuoka Shipbuilding Co., Ltd., and ship owner Kumiai Senpaku Co., Ltd. for the construction of brand-new vessels. Through this, we have strengthened our extensive fleet modernization program, introducing brand new and high-efficiency vessels specially made for the Philippine waters.

CLIHC has also taken steps to reduce the environmental footprint of its operations from services to transactions, such as reducing the volume of generated waste and increasing the percentage of recycled waste. It consciously observes more efficient operations and employs technologies which allow faster turnaround times and increased port capacity; and better designed engines and systems.

CLIHC has adopted ‘green purchasing’ as part of its Environmental Management system to purchase goods and services that cause less harm to environment.

CLIHC also prioritizes safety in its operations. The Philippine Maritime Industry Authority (MARINA) has issued the Document of Compliance (DOC) to Chelsea Shipping Corp., Trans-Asia Shipping Lines, Incorporated and Starlite Ferries, Inc. – evidence that their Safety Management System and Company Processes (Safety Operation and Pollution Prevention) are compliant with the requirements of International Safety Management Code (ISM Code).

Further, the Chelsea Group partnered with the City Environment and Natural Resources Office – Department of Environment and Natural Resources (CENRO-DENR) and other local government units to advocate reforestation in the areas where it operates. Since its incorporation in 2016, Chelsea has already planted 5,208 seedlings as part of DENR's National Greening Program (NGP).

To complement its key environmental initiatives, the Chelsea Group also encourages all its employees to segregate office waste, to monitor their paper usage, and to think of ways of reducing their environment impact in all areas of business and personal life.

Investing in Our People

What sets us apart is our people. CLIHC ensures that all operational personnel are competent and skilled in safe procedures and are aware of potential hazards and how to avoid them.

Logistics is a highly technical and professional industry that requires a great deal of skill and knowledge. Thus, we believe that the impact of training and education is greater than ever before. In order to enhance the individual competence and skills of our workforce, CLIHC continuously provides Company trainings, certifications and seminars even beyond the standard requirements.

In March 2019, the Chelsea Group partnered with DOLE OSHC (Department of Labor and Employment – Occupational Safety and Health Center) and nominated 17 Safety officers who underwent 40-hour Basic Occupational Safety and Training (BOSH) Program. The Group also conducted in-house Occupational Safety and Health (OSH) Training for the months of October and November.

In addition, to teach and practice leadership training, our Human Resources Department initiated Competence-based learning programs which equipped the employees in leading, planning and organizing skills that they can employ in the workplace. With Management's full support, HR also launched a comprehensive one-day onboarding introduction program for new employees.

Moving forward, as the people element will be increasingly important as the industry moves toward higher standards of safety and sustainability, the Chelsea Group seeks to continuously do its part in investing in its workforce to achieve its vision and help realize sustainable development goals.

Giving Back to Society

Responsible business is vital to the CLIHC Group.

Our value of "Malasakit" was evident at the start of the year when the Group launched an assistance program, "Alagang Chelsea", for the victims of the Taal volcano eruption. Activities in the campaign included Operation Daloy where free passenger tickets were offered to affected residents through Starlite Ferries; and Operation Malasakit where Chelsea Shipping, Starlite Ferries, and Worklink Services conducted outreach activities and donation drives at various evacuation centers in Batangas, Cavite, and other affected areas. The Chelsea Group shared and distributed 620 packages of relief goods to 370 families who temporarily resided in evacuation centers in Batangas and in Dasmariñas, Cavite.

Committed to the sustainable development goal of gender equality, the CLIHC Group launched the first Philippine ship manned by an all-female crew led by Master Licensed Mariner, Capt. Ma. Teresa M. Calderon. The vessel, Starlite Sprint 1, started its voyage on 14 February 2020, plying Bacolod-Iloilo-Bacolod three times daily.

To fortify our best practice management system, we adhere to ISO standards. In February 2020, Chelsea Ship Management & Marine Services Corp. received its ISO 9001:2015 Certification, manifesting the readiness and effectiveness of its Quality Management System (QMS).

Also in February 2020, the Group conducted a blood donation drive called “Be a Hero, Be a Volunteer, Be a Donor.”

When we learned the virus had started to spread in Metro Manila, the Company immediately took action and facilitated employees’ work-from-home setup. Management understood how stressful and overwhelming the situation was to employees who were faced with the threat of contracting the virus, and had to deal with sudden drastic changes to their daily lives. The Company launched the ‘Kumusta Ka?’ online program in order to support the mental health of our employees and provide them with tools and knowledge to help them deal with the stress and anxiety of the situation.

We conducted surveys and e-webinars to check and assess the mental health of our employees. Through online advisories, we also facilitated World Health Organization’s Healthy at Home campaign, shared practical tips on mindfulness and coping with stress to help our employees look after their own well-being and help those who need extra support and care. Our online newsletter, released every two months, is aligned to boost employees’ morale and keep them connected within the Group.

While addressing the adverse effects of the pandemic, the CLIHC Group endeavored to continue doing its business with a heart. Trans-Asia and Starlite Ferries partnered with the Cebu City Government for the “Libreng Sakay Pabalik Cebu” program. During the community quarantine period, locally stranded Cebuanos were given a free ride to any of our routes going to Cebu: Cagayan de Oro, Ozamiz, Iligan, Iloilo, and Surigao.

Our logistics arm, Worklink, quickly adapted to the changing landscape and engaged in humanitarian relief efforts, supported essential workers, and provided aid to small businesses. Below are a few highlights of the year:

- Distributed PPEs to Metro Manila hospitals in partnership with the Belo Medical Group.
- Provided logistics support to various food drives carried out by our affiliates, namely Enderun Colleges and Conti’s.
- Launched Sagip Saka Project together with Phoenix Petroleum and Udenna Foundation to aid farmers in transporting their fresh produce. We delivered 6,000 kilos of fresh food packs from Batangas to Malabon, 25 tons of assorted vegetables from Benguet to Manila, and agricultural crops from Calamba, Laguna to Makati City.
- Transported approximately 5.5 tons of sacks of rice and other necessities to those affected by Typhoon Ulysses in Cagayan Valley.
- Joined hands with the Udenna Group to aid the Dumagtas in Antipolo in distributing their harvest of 1,500 kilos of squash to 1,100 families affected by Typhoon Ulysses.

Our “Malasakit” to other people guided our decisions and strengthened our teamwork as we went beyond business-as-usual setting. It was during those uncertain times that we were reminded that it is more blessed to give than to receive.

Looking ahead, the CLIHC Group knows that there is a long way to go to sustainability, yet it is committed to the continuous transformation of our businesses. In the years to come, the Group plans to invest in cost-effective and innovative measures to increase its operational efficiency while reducing its environmental impact. After all, the Group believes that it is most successful when it can take care of the people and the planet while being profitable.

Item 9. Principal Competitive Strengths of the Company

CLIHC believes that it benefits from the following competitive strengths:

a. Most number of diversified vessels that suits customer needs
b. Expanded shipping routes
c. Integrated website and Mobile App for booking convenience

Philippines shipping industry market leader by tanker capacity, ROPAX, and route shares.

Based on the most recent MARINA information, CLIHC has the largest tanker fleet by tonnage amongst the six (6) major tanker players in the industry with a total GRT of 69,491.

In aggregate, the Group accounts for 36% of the ROPAX market share by GRT, while in terms of market share by route, the Group accounts for 33% of the market.

Superior fleet quality and capacity complemented by nationwide maritime facilities and systems.

The Company's vessels are all classified and evaluated by Classification Societies. A majority of the Company's vessels have been classified and evaluated by Orient Register of Shipping, Inc. and a number of vessels by Nippon Kaiji Kyokai ("NKK"), Bureau Veritas ("BV"), American Bureau of Shipping ("ABS"), Filipino Vessels Classification System Association, Inc. ("FVCSA") and the Philippine Register of Shipping ("PRS"). These Classification Societies are focused on marine vessels and some are recognized by the International Association of Class Societies ("IACS"). Classification is normally required for obtaining the requisite Certificate of Public Convenience ("CPC") from MARINA. Furthermore, classification also distinguishes the Company's fleet as meeting operational and safety standards. Normally, customers prefer to deal with companies that have classed vessels. The Company has an established preventive maintenance system and drydocking program for its vessel fleet to minimize the downtimes for engine breakdowns, engine overhauls and other types of repairs. During drydocking, routine engine evaluation, deck repainting, and hull cleaning are performed on the vessels. The Company endeavors to pass the strict evaluation of Classification Societies and ensure satisfaction of its clients by aligning their requirements with vessel specifications.

Robust product offering

The Company's services provide robust and flexible end-to-end logistics solutions to our customers. From providing tanker services to tugboats assist; from regular cargo shipping to specialized delivery services, and up to warehousing. Catering to the retail market, our passage business has various routes options for travel nationwide. Our solid product line-up gives our customers the convenience and reliability most needed in transporting goods and passengers.

Seasoned Management Team of industry experts.

Collectively, the Management Team of the Company includes the most experienced maritime professionals in the Philippine tanker, RoRo passenger and cargo industries. All of the Company's captains are duly licensed by MARINA. Apart from their experience with the Company, most of the senior officers have had professional experience with other maritime companies, domestic and international, in various capacities. The Company's senior and middle management regularly attend extensive professional and technical trainings to further upgrade skills and keep abreast of latest developments in the industry. This depth and breadth of experience shared by the senior Management merits the Company an advantage in its pursuit of business opportunities and providing quality services.

Strong acquisition track record.

The Company is committed to delivering unrivalled shipping and logistics services and continuously pursues acquisition plans that are aligned with its vision of being the people's choice as the finest shipping and logistics Company.

The Company reported the following key strategic acquisitions:

a. Acquisition of Trans-Asia Shipping Lines, Incorporated – December 2016
b. Acquisition of Davao Gulf Marine Services Inc. – December 2016
c. Substantial shareholdings in 2Go Group, Inc. – March 2017
d. Acquisition of Worklink Services, Inc. – November 2017
e. Acquisition of Starlite Ferries, Inc. – November 2017
f. Acquisition of Starlite Gallant Ferries, Inc. – August 2018
g. Acquisition of Starlite Premiere Ferries, Inc. – October 2018
h. Acquisition of The Supercat Fast Ferry Corporation – October 2019

Item 10. Key Strategies and Objectives

CLIHC believes that the successful implementation of the following strategies will support its continued growth and profitability as it will increase the Company's market share and help it become the clear leader in the Philippine shipping and logistics industry.

Expansion of Warehouses and Logistics Capabilities

The construction of the warehouse development complex in 2.5-hectare property in Brgy. Ligid-Tipas, Taguig City is on-going but the completion schedule has been affected by the Covid pandemic. The Company also plans to acquire additional delivery trucks and improve its procedures through automation of both front-end and back-end systems.

Re-fleeting and continuous upgrade of vessels

The Company plans to acquire new and optimal-sized tankers and RoPax vessels configured to the preference of cargo owners and passengers, respectively, to improve efficiency and profitability.

Expansion into new routes

The Company capitalizes on first-mover advantage by expanding into areas in the Philippines which show superior growth. CLIHC constantly monitors the activity of various ports in the country, including key performance indicators such as ship calls and throughput. The Company also takes into consideration the expansion initiatives of each port and region to determine potential business opportunities. This monitoring process is integrated into the strategic deployment of its fleet.

In November 2020, Starlite Ferries commenced service on the Bacolod-Iloilo route using its vessel M/V Starlite Venus.

Development of facilities to support the Group's core business

CLIHC is looking for opportunities to acquire (i) ports, (ii) port equipment and facilities, (iii) machineries, and (iv) shipyard, which would benefit the Company through reduction in costs of operations and enabling the Group to schedule the availability of the vessels after the regular maintenance period on a more reliable basis.

Similarly, the Company is developing support facilities for its core business, which facilities can be stand-alone businesses, separate from the core business, to wit:

a. Skills training and education facility;
b. Repair and maintenance and spare parts facility;
c. Safety and security facility;
d. Fuel, lubricants and laboratory facility; and
e. Culinary and catering facility.

Expand regional operations

CLIHC accepted delivery of its first medium-range tanker in April 2018 which became operational in November 2018. This medium-range tanker M/T Chelsea Providence is presently under time charter and operating at United Arab Emirates. The Company plans to ready its other tankers and gas carriers for regional shipping markets space and explore new partnerships and opportunities from there.

Item 11. Risks Relating to the Company

The following are the key risks factors which may affect the operations of the Company:

- *Maritime vessels are the Company's primary assets and, in the course of operation, are susceptible to maritime accidents.*

Due to the nature of the shipping industry, the risk of collision is real. Collisions may result in extensive damage to a vessel's hull, increasing its susceptibility to taking on water, which may result in the integrity of the vessel being compromised or even result in a complete loss of the vessel, environmental pollution, loss of life and damage to properties. Even when vessels are docked, the risk of damage from other vessels and the natural elements are also present.

To mitigate these risks, the Company ensures that its crew members have undergone the necessary orientation and training seminars on operations and safety. Furthermore, crewmen are required to complete quarterly safety training seminars, and yearly assessments to promote the progressive enhancements of their skills. The Company also conducts drills to ensure crew safety and minimize damage to property and the environment. For the drydock of its vessels, the Company utilizes shipyards with vast drydocking/repair experience and which observe internationally-accepted standards of safety.

- *The Company operates in a regulated industry and its business is affected by the development and application of regulations in the Philippines.*

Continued compliance with, and any changes in, environmental laws and regulations may adversely affect its results of operations and financial condition. The Company may fail to fulfill the terms of licenses, permits and other authorizations, or fail to renew them on expiration.

To address this risk, the Company diligently adheres to and closely monitors compliance with the terms of its licenses, permits and other authorizations. The Company likewise employs competent legal and operating personnel who regularly liaise with the various government agencies to ensure compliance by the Company with changes in environmental laws and regulations and monitor renewal of its licenses and permits.

- *The Company's vessels are mechanical and are susceptible to breakdowns.*

The Company's operations use mechanical vessels and equipment that are subject to regular mechanical wear and tear. The occurrence of mechanical failure can result in downtime and opportunity losses for the Company. To ensure that the Company's high service quality is maintained, the Company has a preventive maintenance system and drydocking program for its vessels. In the event of non-availability of its vessels, due to breakdown or other factors, the Company charters third party vessels to serve customer requirements.

- *The shipping industry is highly competitive.*

In order to maintain its market competitiveness, the Company must provide reliable and efficient service to its clients. The Company continues to improve its manpower complement by employing experienced and competent officers, and providing continuous training. The Company's clients prefer younger and well-maintained vessels and this necessitates significant capital expenditures by the Company on a regular basis. The Company has also formulated a re-fleeting plan and improved preventive maintenance system.

- *Volatility of fuel prices impacts the operations of the Company.*

Fuel is a key component of shipping operations. In cases of significant increases in fuel prices, the Company may not be able to automatically pass on to its clients the effects of these increases. Thus, the Company's gross margins may be adversely affected, reducing its profitability. To mitigate this risk, the Company maximizes its affiliation with P-H-O-E-N-I-X Petroleum Philippines, Inc. through access to information on movement of global petroleum prices. This allows the Company to hedge prices for its fuel requirements necessary to protect its profitability.

- *Changes in legal and regulatory environment.*

The Company is engaged in the shipping transport business. As a result, the Company is required to hold a wide range of business permits and licenses. Compliance with these laws and regulations involve certain compliance costs, the failure of which can lead to the imposition of fines and sanctions, including the revocation of permits and licenses necessary for the conduct of the Company's business and activities. As these laws and regulations change from time to time, tougher regulations may be imposed in the future which may affect the conduct of the Company's business and operations.

Moreover, there can be no assurance that current laws and regulations applicable to the Company will not increase the costs of operating its vessels and facilities above currently projected levels or require future capital expenditures. Although the Company endeavors to maintain compliance with applicable laws and regulations the introduction or inconsistent application of, or changes in, the laws and regulations applicable to the Company's business could have a material adverse effect on its business, financial condition and results of operations. To address the foregoing risks, the Company, in conjunction with industry associations such as the Philippine Shipping Vessel Owners Association Inc. ("PHILSVOA") and Visayas Association of Ferry Boats and Coastwise Service Operators ("VAFCSO"), is actively engaged in policy advocacy causes for the promotion and development of the shipping transport industry in the country, tackling regulatory and policy issues and concerns faced by the industry and working to strengthen industry-government partnerships.

Furthermore, the Company employs competent legal and operating personnel, who regularly liaise with the various government agencies to ensure compliance by the Company with new regulations and exercise the requisite due diligence with respect to protecting the Company's business, financial condition, and results of operations from the aforementioned risks while still complying with the applicable laws and regulations. In addition, the Company on a case-to-case basis engages external counsel to provide specialized legal advice and service.

- *Business Cycle risks on the shipping and logistics industry*

The Company has a high operating leverage making the business sensitive to economic slowdowns due to high fixed depreciation costs. The shipping and logistics businesses are dependent on economic and business cycles. To mitigate this risk, the Company is working on improving synergies across the businesses.

Item 12. Transactions with Related Parties

In the ordinary course of its business, CLIHC and its subsidiaries engage in transactions with related parties and affiliates. It is the Company’s policy to ensure that these transactions are entered on terms comparable to those available from unrelated third parties. This may include but not be limited to the following:

i. Chartering services
ii. Fuel purchases
iii. Rentals
iv. Advances to/from related parties for working capital purposes

Currently, the Company sources approximately 98% of its fuel and lubricants requirements from its affiliate – Phoenix Petroleum Philippines, Inc.

II. Properties

The Group owns various tankers, barges, RoPax, cargo vessels and tug boats which are utilized in its business. The following table sets forth information on these vessels that each Company owns as of December 31, 2020.

Name of Vessel	Registered Owner	Year Built	Type
1. M/T Chelsea Providence	CSC	2013	Medium Range Tanker
2. M/T Great Diamond	CSC	2012	Oil/Chemical Tanker
3. M/T Chelsea Cherylyn	CSC	2009	White Oil, Carrier, Tanker
4. M/T Chelsea Denise	CSC	1985	Black / White Oil Carrier, Tanker
5. M/T Chelsea Resolute****	CSC	1979	White Oil, Carrier, Tanker
6. M/T Chelsea Enterprise	CSC	1985	Black Oil Tanker
7. M/T Chelsea Excellence	CSC	1998	White Oil, Carrier, Tanker
8. M/T Chelsea Intrepid	CSC	1994	Black Oil Tanker
9. M/T Chelsea Denise II	PNX – CSC	2012	Black / White Oil Carrier, Tanker

Name of Vessel	Registered Owner	Year Built	Type
10. M/T Chelsea Dominance	PNX – CSC	2016	Product Oil Tanker
11. M/T Great Princess	PNX – CSC	2013	Oil/Chemical Tanker
12. M/T Chelsea Endurance	PNX – CSC	2006	Product Oil Tanker
13. M/T Chelsea Charlize	PNX – CSC	2015	Product Oil Tanker
14. MV San Pedro Calungsod****	PNC – CSC	1996	Cargo Container
15. MV San Lorenzo Ruiz Uno****	PNX – CSC	1996	Cargo Container
16. MV St. Nicholas of Myra	PNX – CSC	1998	General Cargo
17. M/T Ernesto Uno****	MI	1979	White Oil, Carrier, Tanker
18. M/T Jasaan	MI	1990	Black Oil Carrier, Tanker
19. M/T BMI Patricia****	BMI	1981	Black Oil Carrier, Tanker
20. Chelsea Agility	CSC	2007	Floating Dock
21. MV Trans-Asia 1	Trans-Asia	1980	Passenger Ship
22. MV Trans-Asia 2	Trans-Asia	1977	Passenger Ship
23. MV Trans-Asia 3	Trans-Asia	1989	Passenger Ship
24. MV Trans-Asia 8	Oceanstar	1984	Passenger Ship
25. MV Trans-Asia 10	Trans-Asia	1979	Passenger Ship
26. MV Asia Philippines	Trans-Asia	1975	Passenger Ship
27. MV Trans-Asia 18	Trans-Asia	1998	Passenger Ship
28. MV Trans-Asia 19	Trans-Asia	2018	Passenger Ship
29. MV Trans-Asia 5*	Trans-Asia	1989	Container Cargo Ship
30. MV Trans-Asia 12	Trans-Asia	1998	Container Cargo Ship
31. MV Trans-Asia 15	Trans-Asia	1995	Container Cargo Ship
32. MV Trans-Asia 16****	Trans-Asia	1996	Container Cargo Ship
33. MV Trans-Asia 17	Trans-Asia	1999	Container Cargo Ship
34. MV Asia Pacific	Trans-Asia	1981	General Cargo Ship
35. MV LCT Lapu-lapu Uno	Trans-Asia	2014	General Cargo Ship
36. M/Tugs Fortis I****	FTC	1994	Tugboat
37. M/Tugs Fortis II	FTC	1990	Tugboat
38. M/Tug Fortis III	FTC	1972	Tugboat
39. M/Tug Fortis V	FTC	1984	Tugboat
40. M/Tug Fortis VI	FTC	1989	Tugboat
41. M/Tug Fortis VII	FTC	1984	Tugboat
42. M/Tug Fortis VIII	FTC	1984	Tugboat
43. M/Tug Fortis IX****	FTC	2009	Tugboat
44. M/Tug Fortis X	FTC	1988	Tugboat
45. M/Tug Fortis XI****	FTC	1988	Tugboat
46. M/Tug Fortis XII	FTC	1988	Tugboat
47. M/Tug Fortis XV	FTC	1987	Tugboat
48. M/Tug Samal	DGMS	1974	Tugboat
49. M/Tug Pindasan	DGMS	1981	Tugboat
50. M/Tug Sigaboy	DGMS	1971	Tugboat
51. M/Tug Orishima	FTC	1988	Oil Pollution Tugboat
52. MV Starlite Pacific	SFI	1983	Passenger and Cargo Ship
53. MV Starlite Annapolis****	SFI	1982	Passenger and Cargo Ship
54. MV Starlite Jupiter	SFI	1989	Passenger and Cargo Ship
55. MV Starlite Pioneer	SFI	2015	Passenger and Cargo Ship
56. MV Starlite Tamaraw	SFI	1981	Cargo Ship
57. MV Starlite Eagle	SFI	2016	Passenger and Cargo Ship
58. MV Starlite Reliance	SFI	2015	Passenger and Cargo Ship
59. MV Starlite Saturn	SFI	2016	Passenger and Cargo Ship
60. MV Starlite Archer	SFI	2017	Passenger and Cargo Ship
61. MV Starlite Venus	SFI	2020	Passenger and Cargo Ship

Name of Vessel	Registered Owner	Year Built	Type
62. Starlite Sprint 1	SFI	2019	Fastcraft
63. MV SWM Salve Regina	SGFI	2018	Passenger and Cargo Ship
64. MV Stella Maris	SGFI	2019	Passenger and Cargo Ship
65. MV Trans-Asia 20	SGFI	2019	Passenger and Cargo Ship
66. MV SWM Stella del Mar	SPFI	2018	Passenger and Cargo Ship
67. St. Nuriel**	Supercat	2000	Passenger Ship**
68. St. Uriel	Supercat	1992	Passenger Ship
69. St. Sealthiel	Supercat	2000	Passenger Ship
70. St. Jhudiel	Supercat	1996	Passenger Ship
71. St. Braquel	Supercat	1996	Passenger Ship
72. St. Emmanuel	Supercat	1998	Passenger Ship
73. St. Camael	Supercat	2017	Passenger Ship
74. St. Sariel	Supercat	2017	Passenger Ship
75. Supercat 36***	Supercat	1990	Passenger Ship
76. Supercat 38 (St. Dominic)**	Supercat	1990	Passenger Ship
77. St. Micah****	Supercat	1990	Passenger Ship

* Sold on January 15, 2021
** Totally damaged by Typhoon Quinta
*** Held for sale
****On drydock as of end December 31, 2020
*****For conversion to water barge

Except as indicated above, as of the date of this Annual Report, all of the above-mentioned vessels are in good working condition.

Further, Trans-Asia owns a 1,509.28-sq.m. land located at M.J. Cuenco Ave. corner Osmeña Blvd., Brgy. San Nicholas, Cebu City and a building constructed thereon with a total floor area of 2,940 sq.m., which houses Trans-Asia Shipping's main office. Trans-Asia also owns three (3) container yards located at Quezon Blvd. within Piers 4 and 5, North Reclamation Area, Brgy. Cebu Port Center, Cebu City, and in Macabalan, Cagayan de Oro with an aggregate area of 14,904 sq.m.

In May 2018, the Company purchased a parcel of land at Ligid Tipas, Taguig City with an area of 25,335 sq.m. which is the site of a warehouse facility being constructed by its subsidiary Worklink Services, Inc.

In 2019, the Group acquired three (3) new vessels – MV Starlite Sprint 1, MV Stella Maris and MV Trans-Asia 20 and in 2020, MV Starlite Venus.

Some of the vessels and real estate properties owned by CLIHC and its Subsidiaries are used to secure long-term loans. The details of these loans are as follows:

Term Loans

	Notes	Security	Terms	Interest Rates	Outstanding Balance 2020	Outstanding Balance 2019
China Banking Corporation (CBC)	(b.2)	Continuing Suretyship/ Mt Chelsea Great Princess/ MT Chelsea Charlize/ MT Chelsea Resolute/ MT Chelsea Enterprise/ MT Chelsea Excellence/ MT Chelsea Enesto Uno/ MT Chelsea Jasaan	7 years	6.50%	P 1,926,396,728	P 1,665,000,000
Development Bank of the Philippines (DBP)	(f.4)	MT Chelsea Providence	15 years	6.50%	1,446,428,571	1,473,214,286
Philippine Business Bank (PBB)	(c.2)	MV Eagle, FD Exuberance MV Archer, MV Saturn	10 years	7.50%	813,238,917	843,799,503
CBC	(b.4)	Real Estate Mortgage	15 years	7.25%	800,000,000	800,000,000
DBP	(f.3)	Trans - Asia 16, 17 and 18	15 years	6.50%	584,892,857	595,928,571
DBP	(f.2)	MV San Pedro Calungsod MV San Lorenzo Ruis Uno MV St. Nicholas of Myra	15 years	6.50%	526,329,569	532,875,621
DBP	(f.1)	MV Pioneer, MV Reliance	15 years	6.95%	521,280,000	529,400,000
PBB	(c.4)	MV Salve Regina	15 years	7.00%	460,000,000	460,000,000
BDO Unibank, Inc. (BDO)	(a.2)	Trans - Asia 8, Trans - Asia 9, Trans - Asia 10	10 years	4.25%	340,323,661	364,179,579
DBP	(f.5)	MV St. Camael and MV St. Ariel	15 years	6.50%	322,037,037	328,888,889
PBB	(c.3)	MV Stella Del Mar	15 years	7.00%	309,222,352	309,222,352
Mega International Commercial Bank Co. (MICBC)	(e)	Continuing Suretyship	5 years	6.10%	247,500,000	258,750,000
Robinsons Bank Corporation (RBC)	(e)	Continuing Suretyship	5 years	6.10%	247,500,000	258,750,000
CTBC Bank (Phils) Inc. (CTBC)	(e)	Continuing Suretyship	5 years	4.09%	247,500,000	258,750,000
CBC	(b.3)	Trans-Asia 15	10 years	7.00%	228,703,704	242,129,630
PBB	(c.1)	MT Chelsea Dominance	7 years	6.06%	227,048,850	243,266,625
PBB	(c.1)	MT Chelsea Endurance	7 years	6.06%	192,578,750	206,334,375
First Commercial Bank, Ltd. (FCB)	(e)	Continuing Suretyship	5 years	6.10%	165,000,000	172,500,000
Rizal Commercial Banking Corp.	(g)	Starlite Sprint I	7 years	9.50%	111,507,790	113,094,452
BDO	(a.1)	MT Chelsea Denise II	2 years	5.50%	90,842,500	103,820,000
Asia United Bank (AUB)	(d)	MTug Fortis VI, MTug Fortis VII and MTug Fortis VIII	7 years	5.56%	52,116,556	62,539,867
AUB	(d)	MTug Fortis IX and Mtug Fortis X	7 years	7.07%	44,328,852	-
AUB	(d)	MTug Fortis III and MTug Fortis V	7 years	5.56%	38,722,682	46,464,133
CBC	(b.1)	MT Chelsea Charlize	7 years	3.25%	-	236,805,333
PBB		Unsecured	15 years	7.00%	-	749,689,849
					9,943,499,376	10,855,403,064
Discount on loans payable					(43,188,541)	(56,511,854)
					P 9,900,310,835	P 10,798,891,210

Bank Loans

	Security	Terms	Interest Rates	Outstanding Balance 2020	Outstanding Balance 2019
Primary Institutional Lenders	Unsecured	30 to 180 days	4.25% to 7.50%	P 1,445,076,437	P 1,265,823,896
UCPB	MT Chelsea Intrepid MT BMI Patricia	90 days	5.00% to 5.75%	897,500,000	896,400,000
PBB	Unsecured	180 days	9.00%	675,000,000	-
CBC	Unsecured	60 days	6.00%	500,000,000	522,163,934
Landbank of the Philippines		90 days	9.00%	500,000,000	500,000,000
DBP	MT Chelsea Cherylyn	180 days	4.00 to 4.25%	300,000,000	300,000,000
Pentacapital	Unsecured	360 days	6.00%	200,000,000	200,000,000
Union Bank of the Philippines	Unsecured	360 days	4.50%	200,000,000	200,000,000
Robinsons Bank Corporation	MT Chelsea Denise	180 days	5.50%	76,125,000	60,300,000
BDO Unibank Inc	Trans-Asia 1	180 days	6.50%	48,500,000	48,459,247
AUB	Unsecured	30 days	8.00%	21,367,843	50,000,000
DBP	Unsecured	90 days	6.00%	4,847,396	-
				P 4,868,416,676	P 4,043,147,077

III. Legal Proceedings

In the course of the Group's business, it has been involved in legal proceedings both as plaintiff and defendant. The Company's management believes that an adverse resolution in such cases will not materially affect the financial position of the Company. The Company is not involved in any legal or arbitration proceedings (including any such proceedings that are pending or threatened of which the Company is aware) which it believes may have a material adverse effect on the financial position of the Company.

The following are the material legal proceedings which the Company is currently involved in:

a. *Michael, Incorporated vs. Pilipinas Kao Incorporated, Civil Case No. 37046, Regional Trial Court of Cebu City; (b) Pilipinas Kao, Inc. vs. Michael, Inc., Civil Case No. 37180, Regional Trial Court of Cebu City.*

These consolidated cases which were filed in September 2010, refer to the Complaint of MI against Pilipinas Kao, Inc. ("PKI") for Collection of Sum of Money and Damages with Prayer for Preliminary Attachment, and PKI's Complaint against MI for Specific Performance, Reimbursement and Damages.

The transactions subject of the complaints refers to the Charter Agreement between MI and PKI whereby MI agreed to transport on its vessel M/Tkr Ernesto Uno the crude coconut oil ("CCO") of PKI. The Charter Agreement was for a period of two (2) years from January 8, 2009 to January 7, 2011, and the agreed Charter Rate was ₱2,050,000 per month. From December 2009 to July 2010, MI transported PKI's CCO from Mindanao to various ports of destination, and accordingly billed PKI Charter Fees in the amount of ₱15,921,666.67. However, PKI refused to pay the Charter Fees on its allegation that the CCO transported by MI was contaminated with seawater. In its Answer to PKI's Complaint, MI alleged that it proposed several plans to PKI to resolve the alleged contamination but the same were refused by PKI.

As these cases have been consolidated, they are being jointly heard.

Michael, Inc. filed its Formal Offer of Exhibits on March 16,2020. Awaiting notice of next hearing date for presentation of evidence of Pilipinas Kao.

b. *Fortis Tugs Corporation vs. Marinemax Shipping Corporation and Vicente Sandoval, Jr., Civil Case No.027, Regional Trial Court of Taguig City.*

This Complaint, which was filed on March 23, 2016, seeks to recover from defendants the sum of ₱11,613,082.78, which represents payment for the tugboat services rendered by the plaintiff to the defendants from the period November 2013 to October 2015. The plaintiff has a prayer for the issuance of a Writ of Preliminary Attachment against the properties of the defendants on the ground that the latter are guilty of fraud in issuing checks to the plaintiff in payment of their obligations and thereafter issuing a stop payment order on the said checks. Plaintiff also prayed for the grant of Exemplary Damages in the amount of ₱100,000 and Attorney's Fees in the same amount.

Defendants filed a Motion to Dismiss the Complaint filed by Fortis Tugs, while the plaintiff filed its Motion to Declare Defendants in Default. Both Motions have been submitted for resolution. Plaintiff has also filed its Motion for Issuance of a Warrant of Arrest against defendant Vicente Sandoval and is awaiting resolution of the same.

c. *Ryan Subong et.al. vs. Trans-Asia Shipping Lines, Inc., Civil Case No, 26205, Regional Trial Court of Iloilo City*

The original Complaint was filed by 79 plaintiffs on April 11, 2000. Plaintiffs were the passenger-survivors and heirs of the casualties of the sinking of MV Asia South Korea which sank off the vicinity of Bantayan Island en route to Iloilo on December 23, 1999. Their total claim for damages is in the amount of ₱380,000,000.00. An Amended and Second Amended Complaint were filed in April and August 2000 respectively. Defendant Trans- Asia Shipping's main defense is that the cause of the accident was force majeure as the vessel was seaworthy and properly manned at the time of accident.

On April 18, 2013, the Regional Trial Court issued its Decision ordering Trans-Asia Shipping to pay ₱801,000.00 for 4 deaths and ₱585,000.00 for 13 survivors or a total of ₱1,386,000.00. Although Trans-Asia Shipping offered to pay in accordance with the Decision, not a single plaintiff accepted payment. Instead, some of the plaintiffs filed their Motion for New Trial, some filed Motion of Reconsideration of the Decision, and some filed their Notice of Appeal.

The trial court issued an Order granting new trial for two plaintiffs and set the hearing for reception of evidence for said plaintiffs. The trial court also issued its Order dated March 22, 2016 modifying the award of damages to ₱8,865,399.96 for four deaths and 11 survivors, plus 15% interest on the total monetary award. Trans-Asia Shipping filed its Motion for Reconsideration of the two Orders, which was denied by the trial court. Trans-Asia Shipping has filed its Notice of Appeal. At the May 17, 2017 hearing, plaintiff manifested that they are willing to study the settlement of the case.

In August 2017, the parties signed a Compromise Agreement whereby Trans-Asia Shipping paid the total amount of PhP8,839,313.95 for thirteen 13 Complainants (4 Deaths and 9 Survivors). In October 2017, another three (3) plaintiffs signed a Compromise Agreement whereby Trans-Asia Shipping paid the total amount of ₱594,250.00. On October 6, 2017, the trial court issued its Orders approving the two Compromise Agreement and declaring the case as CLOSED AND TERMINATED insofar as the 16 Complainants are concerned.

Two (2) Complainants, Kenneth Sherwin Chu and Raquel Cometa, have signed a Compromise Agreement and accepted the settlement amount of ₱170,775.00 each. Defendant Trans-Asia is currently working for the settlement of the last remaining Complainant, with a probable settlement in the amount of not more than ₱200,000.00.

d. *Nelly A. Gangoso, et. al. vs. Trans-Asia Shipping Lines, Inc., Civil Case No. CEB-36075, Regional Trial Court of Cebu City.*

This Complaint was filed by 5 plaintiffs on October 2009 arising from the sinking of MV Asia South Korea. A Compromise Agreement dated June 18, 2013 was entered into by four of the plaintiffs pursuant to which said plaintiffs agreed to withdraw their claims against Trans-Asia Shipping in return for the payment by defendant of the amount of ₱75,000.00 each to said plaintiffs. Plaintiff Nelly A. Gangoso pursued this case against Trans-Asia Shipping. Plaintiff Nelly Gangoso and defendant Trans-Asia have completed the presentation of their respective documentary and testimonial evidence. Plaintiff has filed her Memorandum, and defendant was supposed to file its Memorandum on April 28, 2017. On May 28, 2017, a Decision was issued by the trial court, awarding a total of ₱1,050,000 in favor of the plaintiff. Trans-Asia filed its Motion for Reconsideration of the said Decision and when the same was denied, Trans-Asia filed its Appeal which is now pending resolution by the Court of Appeals.

In December 2019, in accordance with the directive of the Court of Appeals, Defendant Trans-Asia filed its Appellant's Brief. The case is currently pending with the Court of Appeals.

e. *Trans-Asia Shipping Lines, Inc. vs. Philippine Fire and Marine Insurance Corporation, et.al. Civil Case No. 39098, Regional Trial Court of Cebu City.*

This Complaint was filed by Trans-Asia in September 2012 to collect the insurance proceeds arising from the sinking of MV Asia Malaysia, which proceeds are in the approximate amount of ₱120,000,000. Said Complaint was filed when defendant Philippine Fire only offered to pay the amount of ₱50,000,000. Defendant Philippine Fire filed its Motion to Dismiss the complaint on the ground of lack of jurisdiction and insufficient docket fees paid. When said Motion to Dismiss was denied, defendant Philippine Fire filed a Petition for Certiorari with the Court of Appeals in December

2014. Said Petition for Certiorari was dismissed by the Court of Appeals on June 28, 2016. On March 30, 2017, the regional trial court issued an Order setting the case for pre-trial on June 9, 2017. At the 9 June hearing, the case was remanded to the Executive Judge for transfer to Branch 11, which is the only commercial court in Cebu City. At Branch 11, Philippine Fire filed a Motion to Suspend Proceedings attaching the Notice of Stay Order issued by the Insurance Commission. Trans-Asia filed its Opposition to Philippine Fire's Motion to Suspend Proceedings. This matter is now pending resolution by the trial court.

PART II – MARKET PRICE OF AND DIVIDENDS ON THE REGISTRANT'S COMMON EQUITY

I. Principal market where the registrant's common equity is traded

The Company's common shares are traded at the Philippine Stock Exchange (PSE) beginning August 8, 2017. The high and low sale prices of each quarterly period for years 2020, 2019 and 2018 are as follows:

	2020		2019		2018	
Period	**High**	**Low**	**High**	**Low**	**High**	**Low**
1Q	5.89	1.91	7.20	5.59	9.79	7.00
2Q	4.29	2.49	8.74	5.08	8.56	6.45
3Q	4.65	4.01	9.36	6.22	7.76	5.43
4Q	5.39	5.10	7.18	4.73	9.77	4.40

As of April 8, 2021, the market capitalization of the Company, based on the closing price of ₱3.32 per share, was approximately ₱6.48 billion.

II. Holders

The following are the top registered holders of the Company's securities based on the records as of December 31, 2020:

Name of Stockholders	Number of shares held	% to Total
Udenna Corporation	1,275,384,606	70.000
PCD Nominee Corporation (Filipino)	527,633,512	28.975
PCD Nominee Corporation (Non-Filipino)	16,820,860	0.906
Caroline G. Taojo	800,000	0.044
Eggnest Property Corp.	770,000	0.042
Noe B. Taojo	400,000	0.022
Clive C. Kian	50,000	0.003
Jharna P. Chandnani	30,000	0.002
Ponciano V. Cruz, Jr.	18,000	0.001
Christopher Vincent J. Kokseng or Mery Jean G. Kokseng	15,000	0.001
Myra P. Villanueva	10,800	0.001
Miguelito C. De Guia & Milagros D. De Guia	10,000	0.001
Carlos Catangue Chua	9,300	0.0000
Milagros P. Villanueva	7,300	0.000
Myrna P. Villanueva	7,300	0.000
Marietta V. Cabreza	5,000	0.000
Elvira M. Cruz or Bernardo A. Cruz	5,000	0.000
Percival Cirilo Samodio Flores	1,000	0.000
Alexander S. Timbol	100	0.000
Owen Nathaniel S. Au ITF: Li Marcos Au	10	0.000
Eduardo A. Bangayan	1	0.000
Miguel Rene A. Dominguez	1	0.000
Jesus S. Guevara II	1	0.000
Gener T. Mendoza	1	0.000
Arthur Kenneth L. Sy	1	0.000
Cherylyn C. Uy	1	0.000
Efren E. Uy	1	0.000
TOTAL	**1,821,977,615**	**100.000%**

III. Dividends

The Company's dividend policy is to declare at least 20% of its prior year's net income as dividends, whether in stock or in cash or a combination of both, subject to the existence of unrestricted retained earnings, CLIHC's financial condition, as well as requirements of applicable laws and regulations, the terms and conditions of our existing loan facilities, and the absence of circumstances that may restrict the payment of such dividends.

Each holder of a common share is entitled to such dividends as may be declared in accordance with the Company's dividend policy. The Company's current dividend policy entitles holders of common shares to receive dividends based on the recommendation of the Board of Directors. Such recommendation will consider such factors as operating expenses, implementation of business plans, and working capital.

The Company did not declare dividends for the years ended December 31, 2020, 2019 and 2018.

IV. Submission of Matters to a Vote of Security Holders

There were no matters submitted to a vote of security holders during the fourth quarter of this calendar year covered by this report.

The Corporation had a Special Stockholders' Meeting on October 6, 2020. At the October 6, 2020 Special Stockholders' Meeting, approval of the following matters took place: increase in the Authorized Capital Stock from ₱2,000,000,000.00 to ₱3,500,000,000.00, divided into 3,490,000,000 Common Shares and 10,000,000 Preferred Shares, both with the par value of One Peso (₱1.00) per share; Amendment of the Seventh Article of the Articles of Incorporation to effect the increase in the Authorized Capital Stock; change in the feature of the Preferred Shares from Non-convertible to Convertible; Amendment of the Seventh Article of the Articles of Incorporation to effect the change in the feature of the Preferred Shares; Subscription by Udenna Corporation to an additional 375,000,000 Common Shares at the price of ₱3.26 per share; and ratification of the Board approval to execute a Subscription Agreement with Global Kingdom Investments Limited for 500,000 Preferred Shares at the issue price of ₱1,000.00 per share.

V. Recent Sale of Securities

The Company has not sold or transferred any securities that are not registered under the Code nor did it issue any additional securities in exchange for any properties, services and other securities.

The Company on July 10, 2020 executed a Preferred Shares Subscription Agreement with Global Kingdom Investments Limited for 500,000 Preferred Shares at ₱1,000 per share payable in the following tranches:

- First Tranche – ₱100,000,000, upon signing of this Agreement;
- Second Tranche – ₱200,000,000, within thirty (30) days from date of Stockholders' approval through written assent;
- Third Tranche – ₱200,000,000, within thirty (30) upon approval by the Securities and Exchange Commission (SEC) of the Company's Amended Articles of Incorporation.

PART III – FINANCIAL INFORMATION

I. Management's Discussion and Analysis of Financial Condition and Results of Operations

The Management's Discussion and Analysis of Financial Condition and Results of Operations for each of the Three Years in the Period Ended December 31, 2020, 2019 and 2018 are attached hereto as **Annex A**.

II. Information on Independent Accountant and Other Related Matters

Punongbayan & Araullo (P&A), a member firm of Grant Thornton International Ltd., independent auditors, audited the Company's financial statements as at December 31, 2020 and 2019 in accordance with the Philippine Standards on Auditing.

P&A has acted as the CLIHC's external auditor since incorporation. Ramilito L. Nanola is the assigned audit partner and has served as such since 2016. The Company has not had any material disagreements on accounting and financial disclosures with its current external auditors for the same periods or any subsequent interim period. P&A has neither shareholding in the CLIHC nor any right, whether legally enforceable or not, to nominate persons or to subscribe for the securities in the Company. The foregoing is in accordance with the Code of Ethics for Professional Accountants in the Philippines set by the Board of Accountancy and approved by the Professional Regulation Commission.

Punongbayan & Araullo will be recommended for re-appointment at the scheduled Annual Stockholders' Meeting. Representatives of the Firm are expected to attend the Annual Stockholders' Meeting and they will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions.

The following table sets out the aggregate fees billed to the Company and its subsidiaries for each of the last two fiscal years for professional services rendered by its external auditor. P&A does not provide other services that are not reasonably elated to the performance of the audit or review of our financial statements.

	2018	**2019**	**2020**
Audit Fees	₱4,577,000	₱4,715,000	₱4,500,000

Audit and audit related fees refer to the professional services rendered by P&A for audit of the Company's annual financial statements and services that are normally provided in connection with statutory and regulatory filings for the said calendar years. The fees presented above include out-of-pocket expenses incidental to the Independent Auditors' services.

III. Financial Statements

The Company's Statement of Management's Responsibility and Audited Financial Statements as of December 31, 2020 is in **Annex B**. Financial Statements are prepared in accordance with SRC Rule 68, as amended and Rule 68.1.

IV. Changes in and Disagreements with Accountants on Accounting and Financial Disclosures

The Company has not had any material disagreements on accounting and financial disclosures with its current external auditors for the same periods or any subsequent interim period.

PART IV – CONTROL AND COMPENSATION INFORMATION

I. Directors and Executive Officers of the Issuer

1. Board of Directors

The incumbent members of the Board of Directors and Executive Officers of the Company are as follows:

Office/Position	Name	Age	Citizenship
Directors			
Chairman	Dennis A. Uy	47	Filipino
Director/President & CEO	Chryss Alfonsus V. Damuy	47	Filipino
Director/Treasurer	Cherylyn C. Uy	41	Filipino
Director	Arthur Kenneth L. Sy	53	Filipino
Director	Efren E. Uy	59	Filipino
Director	Eduardo A. Bangayan	69	Filipino
Independent Director	Miguel Rene A. Dominguez	44	Filipino
Independent Director	Jesus S. Guevara II	66	Filipino
Independent Director	Gener T. Mendoza	63	Filipino

Below is a summary of their qualifications:

Dennis A. Uy
Chairman
Dennis A. Uy, Filipino, 47 years old, is the founder and the Chairman of Chelsea Logistics and Infrastructure Holdings Corp. (CLIHC) since its incorporation. He served as President & CEO of CLIHC from incorporation until March 27, 2017. He is the Chairman and President of Phoenix Petroleum Holdings, Inc., the holding company of Phoenix Petroleum Philippines, Inc., and Udenna Corporation, the ultimate parent company of PPPI and CLIHC. He is also the President and CEO of ISM Communications Corp., Udenna Communications, Media and Entertainment Holdings Corp., Udenna Land Inc., Le Penseur Inc., PH Resorts Group Inc., DITO Holdings Corp, Udenna Management & Resources Corp. (UMRC) and its subsidiaries. Among the subsidiaries of UMRC are Global Synergy Trade& Distribution Corporation, PNX-UDENNA Insurance Brokers, Inc., ValueLeases, Inc. Mr. Uy is also Chairman of F2 Logistics, Phoenix Philippines Foundation, and Udenna Foundation. He is a member of the Young Presidents Organization – Philippine chapter and the Philippine Business for Social Progress. Mr. Uy has been the Honorary Consul of Kazakhstan to the Philippines since November 2011. He has a degree in Business Management from De La Salle University.

Chryss Alfonsus V. Damuy
Director, President & CEO
Chryss Alfonsus V. Damuy, Filipino, 47 years old, has been a Director of CLIHC since its incorporation and was appointed President & CEO of the Company on March 27, 2017. He is the Chief Operating Officer of Chelsea Shipping Corp. and its subsidiaries namely PNX-Chelsea Shipping Corp., Fortis Tugs Corporation, Michael, Inc., Bunkers Manila, Incorporated, Chelsea Ship Management & Marine Services Corp., and Chelsea Marine Manpower Resources, Inc. Mr. Damuy is currently the Vice Chairman of Trans-Asia Shipping Lines, Incorporated and its subsidiaries Oceanstar Shipping Corporation, Starsy Shoppe, Inc., Dynamic Cuisine, Inc. and Quality Metals & Shipworks, Inc. Prior to joining CLIHC, he was the Vice President for Finance of Phoenix Petroleum Philippines, Inc. and General Manager of Calaca Industrial Seaport Corp. Before that, he was the Controller of Lapanday Foods Corporation and held various positions in its subsidiaries including the Fresh Asia Produce as Accounting Manager and the Mindanao Fresh Produce Services Corporation as Assistant Accounting

Manager. He also worked as Chief Accountant of the Regional Educators Multi-Purpose Cooperative and as its Branch Officer. Mr. Damuy started his professional career as College Instructor of the Holy Cross of Davao College. He is a Certified Public Accountant and has a degree in Bachelor of Science in Accountancy.

Cherylyn C. Uy
Director, Treasurer
Cherylyn C. Uy, Filipino, 41 years old, is a Director and Treasurer of CLIHC since February 10, 2017. She also serves as the Treasurer of Chelsea Shipping Corp. and its subsidiaries. She is likewise a Director of Phoenix Petroleum Philippines, Inc. and the Corporate Treasurer of the Udenna Group of Companies and F2 Logistics, Inc. Ms. Uy is a graduate of Ateneo de Davao University with a degree in Business Finance.

Arthur Kenneth L. Sy
Director
Arthur Kenneth L. Sy, Filipino, 53 years old, has been a Director of CLIHC since March 27, 2017. He serves as Co-Chairman of Trans-Asia Shipping Lines, Incorporated, and currently the President and CEO of Sybu Real Estate Corporation, and Director of Big Hub Transport & Logistics Corp., Dynamic Cuisine, Inc., Oceanstar Shipping Corporation, Starsy Shoppe, Inc., Star Maritima Port and Allied Services, Inc. and Quality Metal and Shipworks Inc. He holds degrees in the fields of business and engineering namely, Bachelor of Science in Business Administration from the University of San Carlos; Bachelor of Science in Marine Engineering, and Bachelor of Science in Mechanical Engineering from the University of Cebu.

Efren E. Uy
Director
Efren E. Uy, Filipino, 59 years old, has been a Director of CLIHC since March 27, 2017. Mr. Uy currently serves as the President and Chief Executive Officer of F2 Logistics Philippines, Inc., F2 Global Logistics, Inc., Agri Farmers, Inc., F8 Prime Transport Services, Inc., Ultimate Yellow Transport Services, Inc., Fmoves Transport Corp. and Miren Holdings, Inc. He has a degree in Bachelor of Science in Mechanical Engineering from University of San Carlos.

Eduardo A. Bangayan
Director
Eduardo A. Bangayan, Filipino, 69 years old, has been a Director of CLIHC since March 27, 2017. He is currently the President of Summit World Group of Companies, a Director for Fuji Oil Philippines and an Independent Director for Manila Mining Corporation. He is also the Vice President of the New Leyte Edible Oil Manufacturing Corporation. From 2004 until 2008, he served as Trustee of the Local Water Utilities Association. Mr. Bangayan served as a Director of the Davao City Water District since 2002 prior to his appointment as Chairman in January 2017 with a term until 2023. Further, he serves as an Independent Director of Rural Bank of Tagum from 2015 until present. He has a degree in Bachelor of Science in Business Administration from Silliman University.

Miguel Rene A. Dominguez
Independent Director
Miguel Rene A. Dominguez, Filipino, 44 years old, has been an Independent Director of CLIHC since March 27, 2017. He is currently the Vice President of Alsons Agribusiness Unit, and Director of Philippine Business for Social Progress. He served as Chairman of the Regional Peace and Order Council for Region 12 (2011-2013), Chairman of SOCSARGEN Area Development Board (2008-2011) and Chairman of Regional Development Council of Region 12 (2007-2010). Mr. Dominguez was named an awardee for Governance and Public Service in the Ten Outstanding Young Men 2013 by the Junior

Chamber International Philippines and the TOYM Foundation. He was the first awardee of the Jesse Robredo Leadership Award given the same year. He was governor of Sarangani province for three (3) consecutive 3-year terms that began in 2004.Prior to his election as governor, he was the National Sales and Marketing Manager of the Alsons Aquaculture Corporation in 2003, earning for the brand "Sarangani Bay" a stronghold in the international markets, particularly in the US, Japan and Europe. He has a degree in AB Economics from Boston College in the US.

Jesus S. Guevara II
Independent Director
Jesus S. Guevara II, Filipino, 66 years old, has been an Independent Director of CLIHC since March 27, 2017. From 2009 to the present, he sits as Director of Lipa Bank, Inc. He served as Executive Vice President of the Development Bank of the Philippines, where he worked for eighteen (18) years. He was appointed Chairman of the Board of Phividec Industrial Authority. In the last (5) five years, he has served as Director for DBP Service Corporation, DBP Management Corporation, LGU Guarantee Corporation and DBP Insurance Brokerage, Inc. He has a degree in Bachelor of Arts in Economics from University of the Philippines and Master's Degree in Industrial Relations.

Gener T. Mendoza
Independent Director
Gener T. Mendoza, Filipino, 63 years old, has been an Independent Director of CLIHC, since March 27, 2017. Mr. Mendoza is currently the President of GNCA Holdings, Inc. Apart from his assignment in GNCA, he serves as court-appointed rehabilitation receiver or liquidator for the following companies: Ensogo, Inc., Universal Rightfield Property Holdings, Inc., Pacific Activated Carbon Company, Inc., and Premium Agro-Vet Products, Inc. He also assists the liquidator of National Steel Corporation and Advent Capital Corporation. Previously, he was a Principal Partner of SyCip, Gorres, Velayo & Co., Vice President for Corporate Finance at Kuok Philippine Properties, Inc., and Executive Vice President of Crown Equities Inc. He serves as a Director of IPM Holdings Inc., ACM Landholdings, Inc., and Dualtech Training Center Foundation, Inc. He has a degree in Bachelor of Science in Management Engineering from Ateneo de Manila University and Master's Degree in Business Administration from Harvard Business School.

Directorships in Other Reporting Companies

The following are directorships held by the Directors in other reporting companies during the last five (5) years:

Name of Director	Name of Reporting Company	Position Held
Dennis A. Uy	Phoenix Petroleum Philippines, Inc.	Director, President and CEO
	2Go Group, Inc.	Chairman of the Board
	PH Resorts Group Holdings, Inc.	Chairman of the Board
	Dito CME Holdings Corp.	Chairman of the Board
	Atok-Big Wedge Co., Inc.	Vice Chairman
	Apex Mining Co., Inc.	Independent Director
Cherylyn C. Uy	Phoenix Petroleum Philippines, Inc.	Director
	PH Resorts Group Holdings, Inc.	Director
	Dito CME Holdings Corp.	Director / Treasurer
Eduardo A. Bangayan	Manila Mining Corporation	Independent Director
Gener T. Mendoza	IPM Holdings, Inc. Pryce Corporation	Director Independent Director

2. Executive Officers

The incumbent Executive Officers of the Company are as follows:

Office/Position	Name	Age	Citizenship
President & CEO	Chryss Alfonsus V. Damuy	47	Filipino
Treasurer	Cherylyn C. Uy	41	Filipino
Chief Financial Officer	Ignacia S. Braga IV	55	Filipino
Deputy Financial Officer / Treasury Head	Reynaldo A. Phala	54	Filipino
AVP – Legal & Corporate Affairs / Corporate Secretary	Ma. Henedina V. San Juan	59	Filipino
Finance Controller	Darlene A. Binay	48	Filipino
Vice President – Port Operations and Marketing	Raul L. Quisumbing	50	Filipino
Compliance Officer	Leandro E. Abarquez	37	Filipino
Chief Audit Executive	Maria Katherine A. Agbay	48	Filipino

Below is a summary of their business experience:

Ignacia S. Braga IV
Chief Financial Officer
Filipino, 55 years old, is the Chief Financial Officer of CLIHC. She is also the Vice President for Finance of Udenna Corp., Udenna Management & Resources Corp. and Chelsea Shipping Corp. and its subsidiaries. She is the Treasurer of Starlite Ferries Inc. and its subsidiaries and Trans-Asia Shipping Lines, Incorporated. Ms. Braga is a Certified Public Accountant with more than thirty (30) years of corporate finance and accounting experience. Prior to joining the Company, she was formerly the Assistant Vice President – Group Controller of Lapanday Foods Corporation and former Controller of Macondary Agro-Industrial Corporation. She was the Finance Manager of RFM Tuna Corporation and the Asia Industries (Mindanao) Inc. She began her career as an auditor of Sycip, Gorres, Velayo & Co. in 1986. She is a Cum Laude graduate of Bachelor of Science Commerce Major in Accounting from Ateneo de Davao University.

Reynaldo A. Phala
Deputy Chief Financial Officer / Treasury Head
Filipino, 54 years old, is the Vice President for Treasury and Deputy CFO. He joined the Company in April 2020 after spending 12 years with an affiliate company as AVP for Treasury. He led a progressive banking career for 17 years, which he started at UCPB. He also worked with the Department of Trade and Industry as Municipal Trade and Industry Officer for a year. He graduated from Mindanao State University-General Santos City with the degree Bachelor of Science in Civil Engineering as a consistent academic scholar and passed the licensure examinations for Civil Engineers in May 1989. He obtained his MBA degree conferred by the Ateneo de Manila University and Regis University, Denver, Colorado, USA in 2013 and his Diploma in Corporate Finance in 2018 from the Ateneo Graduate School of Business. He also attended executive courses at Harvard Law School in 2019.

Ma. Henedina V. San Juan
Corporate Secretary and Assistant Vice President for Legal and Corporate Affairs
Filipino, 59 years old, is the Corporate Secretary and concurrently the Assistant Vice President for Legal and Corporate Affairs of CLIHC. She also serves as the Corporate Secretary of Chelsea Shipping Corp. and its subsidiaries, and other Companies in the Udenna Group. Prior to joining the Company, she worked for Petron Corporation, Petronas Energy & Petroleum, Inc. and Herma Corporation. She has a degree in Bachelor of Arts in Political Science and Bachelor of Laws both from University of the Philippines.

Raul L. Quisumbing
Vice President – Port Operations and Marketing
Filipino, 50 years old, is the Vice President for Port Operations and Marketing of the Company. Prior to joining CLIHC, he served as Vice President for Commercial Services of Manila North Harbor Port, Inc. Previously he also served as Senior Logistics and Process Manager of Le Soleil Shipping Philippines; Senior Manager for Supply Chain at 2Go Aboitiz One and as AVP for Sales and Marketing at Starlite Cargo Express Inc. He is a graduate of AB Management of De La Salle University.

Darlene A. Binay
Finance Controller
Filipino, 48 years old, is the Finance Controller of the Company. Prior to joining CLIHC, she was formerly the VP – Finance of Philippine Span Asia Carrier Corp. and AVP – Cluster Finance and Accounting of Magsaysay Shipping and Logistics Group (National Marine Corporation). She also served as Group Accounting Head of Roxas Holdings, Inc. and Subsidiaries. She was also an Assurance Senior Associate of Joaquin Cunanan & Co. (now Isla Lipana and Co), a Price Waterhouse Coppers member firm. She is a Certified Public Accountant and has a degree in B.S. Accountancy from St. Paul College Quezon City.

Leandro E. Abarquez
Compliance Officer
Filipino, 37 years old, is the Compliance Officer of the Company. Prior to joining CLIHC, he was a Senior Associate at Romulo, Mabanta, Buenaventura, Sayoc & de los Angeles. He has a Bachelor's degree in Biology from the Ateneo de Manila University and obtained his Juris Doctor degree from the same university in 2009.

Maria Katherine A. Agbay
Chief Audit Executive
Filipino, 48 years old, is the Chief Audit Executive and Internal Audit Manager of the Company. Prior to joining CLIHC, she was an active Professional Practitioner in audit, insurance and real estate. She was previously a Lecturer at Far Eastern University – Makati and San Beda College, Manila; Vice-President - Audit and Systems Head and Finance Manager of Trust International Paper Corporation (TIPCO); Vice-President – Controller of subsidiary TIPCO Estates Corporation; Assistant Vice-President of Citibank and Accounting Manager of Kuok Philippine Properties, Inc. and KSA Realty Corporation. She started her career as an Auditor at SyCip, Gorres, Velayo & Co. She is a Magna Cum Laude graduate of University of the East, Manila. She also has a Master's Degree in Business Administration from De La Salle University.

Period of Service in the Company

Name of Executive Officer	Period of Service
Ignacia S. Braga IV	Since incorporation to present
Ma. Henedina V. San Juan	Since incorporation to present
Reynaldo A. Phala	April 15, 2020 to present
Darlene A. Binay	January 4, 2021 to present
Raul L. Quisumbing	January 8, 2018 to present
Leandro E. Abarquez	April 3, 2017 to present
Maria Katherine A. Agbay	December 5, 2017 to present

2. Family Relationships

There are no other family relationships between any Directors and any members of the Company's senior management as of the date of this Information Statement, except for the following:

1. Spouses Dennis A. Uy (Chairman of the Board) and Cherylyn C. Uy (Treasurer)

2. Spouses Arthur Kenneth L. Sy (Director and Trans-Asia Shipping President) and Shiela Fay U. Sy (Trans-Asia Shipping General Manager - Interport)

3. Involvement of Directors and Officers in Certain Legal Proceedings

As of the date of this Annual Report, there are no other material legal proceedings involving CLC's Directors and Executive Officers except the following:

1. *People of the Philippines vs. Dennis Ang Uy, John Does and/or Jane Does, Criminal Case Nos. 75,834-13 to 75,845-13 and 76,067-13 to 76,076-13, Regional Trial Court, 11th Judicial Region, Davao City, Branch 14*

On August 27, 2013, the DOJ filed twelve (12) Information before the Regional Trial Court of Davao (docketed as Criminal Case Nos.75,834-13 to 75,845-13) against Mr. Uy and several John Does and/or Jane Does in connection with the Resolutions dated April 24, 2013 and August 13, 2013 issued by the SOJ, finding probable cause against Mr. Uy for alleged violation of Section 3602 in relation to Sections 3601, 2530 (I)(1), (3), (4), and (5), Sections 1801,1802, 3604; and 2530 of the TCCP, as amended, and AO No.243, CAO No.3-2010 and CAO No.18-2010.

On September 5, 2013, an Entry of Appearance with Omnibus Motion (for Judicial Determination of Probable Cause and to Suspend Issuance and/or Service of Warrant of Arrest) dated September 3, 2013 was filed by Mr. Uy's counsel, which prayed for the dismissal of the criminal cases for lack of probable cause.

Thereafter, on September 11, 2013, the DOJ filed ten (10) additional Information against Mr. Uy and several John Does and/or Jane Does for alleged violations of the TCCP. These were docketed as Criminal Case Nos. 76,067-13 to 76,076-13.

On September 19, 2013, a Supplemental Motion for Judicial Determination of Probable Cause dated September 18, 2013 was filed by Mr. Uy's counsel, seeking the dismissal of the ten (10) additional criminal cases for lack of probable cause.

On October 14, 2013, the RTC issued an Order dismissing all the cases against Mr. Uy.

On November 15, 2013, a copy of the plaintiff People of the Philippines' Motion for Reconsideration with Urgent Motion for Inhibition of Judge George E. Omelio dated November 12, 2013 was received, to which Motion, Mr. Uy filed his Opposition.

On August 18, 2014, the RTC issued an Order denying the Motion for Reconsideration of the plaintiff. On October 27, 2014, the People of the Philippines filed its Petition for Certiorari with the Court of Appeals for the reversal of the Orders dated October 4, 2013 and August 18, 2014 issued by the trial court. Please see Item 2 below for status on the Petition for Certiorari.

2. *People of the Philippines vs. Hon. George E. Omelio, in his capacity as Presiding Judge of the Davao City Regional Trial Court, Branch 14, Hon.Loida S. Posadas-Kahugan, in her capacity as Acting Presiding Judge of the Davao City RTC, Branch 14, Dennis Ang Uy, John Does and/or Jane Does, CA-G.R.SP No.06500-MIN, Court of Appeals, Cagayan de Oro City, 23rdDivision*

On October 27, 2014, petitioner People of the Philippines filed a Petition for Certiorari seeking the reversal of the Orders dated October 4, 2013 and August 18, 2014 issued by the trial court dismissing the cases filed against Dennis Ang Uy. The respondents filed their Comment to said Petition for Certiorari, and the parties subsequently filed their respective Memoranda. In its Decision dated October 12, 2016, the Court of Appeals denied the Petition for Certiorari filed by the People of the Philippines. On November 7, 2016, the People of the Philippines filed its Motion for Reconsideration of the Decision dated October 12, 2016. In its Resolution dated 25 January 2017, the Court of Appeals denied the petitioner's Motion for Reconsideration. On 27 March 2017, the petitioner filed its Petition for Review on Certiorari with the Supreme Court which was docketed as G.R.No. 229705, 3rd Division, Manila.

3. *Dennis A. Uy vs. Hon. Secretary of the Department of Justice Leila M. De Limaand the Bureau of Customs, CA-G.R.SP No. 131702, Court of Appeals, Manila, Special Former Special Tenth Division*

There being no appeal or any other plain, speedy and adequate remedy in the ordinary course of law available to question and seek the reversal of the Resolutions dated April 24, 2013 and August 13, 2013 issued by the SOJ finding probable cause against Mr. Uy for alleged violation of the TCCP and other related rules and regulations, Dennis A. Uy filed a Petition for Certiorari with the Court of Appeals on September 4, 2013.

On September 10, 2013, petitioner filed a Motion for Consolidation seeking the consolidation of this case with the Petition for Certiorari (with Application for Issuance of a Temporary Restraining Order and/or Writ of Preliminary Injunction) filed by Jorlan C. Cabanes, docketed as CA-G.R.SP No.129740. The Motion for Consolidation was granted in the Resolution dated November 6, 2013. Thereafter, all the parties filed their respective Memoranda. On July 25, 2014, the Court of Appeals issued its Decision granting the Petition for Certiorari and declaring the Resolutions dated April 24, 2013 and August 13, 2013 nullified and set aside, and directing that the Information filed against Dennis Uy and Jorlan C. Cabanes before the Regional Trial Courts of Batangas City and Davao City be withdrawn and/or dismissed for lack of probable cause. A Motion for Reconsideration of the Decision dated July 25, 2014 was filed by respondents SOJ and Bureau of Customs. On July 23, 2015, the Court of Appeals issued its Resolution denying respondents' Motion for Reconsideration. On September 10, 2015, petitioner received a copy of the Motion for Extension to File Petition for Review on Certiorari filed by the respondents with the Supreme Court.

4. *Secretary of the Department of Justice Leila M. De Lima and Bureau of Customs vs. Jorlan C. Cabanes, and Secretary of the Department of Justice Leila M. De Lima and Bureau of Customs vs. Dennis A. Uy, G.R. No. 219295-219296, Supreme Court, 2nd Division*

On October 8, 2015, respondents Jorlan C. Cabanes and Dennis A. Uy received a copy of the Petition for Review on Certiorari dated September 8, 2015 filed by petitioners SOJ and Bureau of Customs seeking to set aside the Court of Appeals' Decision dated July 25, 2014 and the Court of Appeals' Resolution dated July 2, 2015. The Supreme Court required the parties to file their respective Memoranda, which the parties complied with. On December 12, 2016, the Supreme Court issued its Notice of Resolution dated November 16, 2016 noting the parties' Memoranda.

In a 'Manifestation in Lieu of Reply' filed by the Office of the Solicitor General on 10 July 2019, the Secretary of Justice prayed that the Manifestation be duly considered and to dismiss all three (3) Petitions without prejudice to the possible filing, if the Court desires, of Supplemental Memoranda from the parties.

5. *People of the Philippines v. Prospero Pichay, Eduardo Bangayan, et.al., SB Criminal Case Nos. SB16CRM0425-30*

These cases charge Mr. Eduardo Bangayan for (a) violation of Section 3(e) of R.A. 3019; (b) violation of Section X126.2(C)(1)(2) of the Manual of Regulation for Banks in relation to Sections 36 and 37 of R.A. No. 7653; and, (c) committing Malversation of Public Funds under the Revised Penal Code, for allegedly conspiring with the other accused in the (a) Local Water Utilities Association's (LWUA) purchase of 445,377 shares in Express Savings Bank, Inc. (ESBI) and release from the LWUA Fund of at least ₱800,003,070.51 in connection with the said purchase of shares; and, (b) LWUA's deposit and/or capital infusion of the ₱400,000,000.00 and deposit of ₱300,000,000.00 with ESBI, as well as the release of the foregoing amounts from the LWUA Fund.

Mr. Bangayan sought for the dismissal of the criminal cases against him based on his defense that he had acted in good faith, upon the honest belief and based on information made available to him, that LWUA's acquisition of ESBI had the approval of the BSP and complied with all applicable laws and regulations, and that there was no prima facie evidence on his alleged conspiracy, hence, there is no probable cause to indict him for any of the alleged offenses.

The Sandiganbayan dismissed the case insofar as Mr. Bangayan is concerned through its Resolution dated October 18, 2016. The prosecution moved for reconsideration thereof. On 17 November 2017, the Sandiganbayan issued its Resolution denying the prosecution's Motion for Partial Reconsideration, and thus affirmed the dismissal of all cases against Mr. Bangayan.

Claiming grave abuse of discretion on the part of the Sandiganbayan, the prosecution filed its Petition for Certiorari with the Supreme Court. Mr. Bangayan filed his Comment / Opposition dated 1 June 2018 to the prosecution's Petition for Certiorari. The said Petition for Certiorari is pending resolution by the Supreme Court.

6. *Field Investigation Office (Office of the Ombudsman) v. Prospero Pichay, Eduardo Bangayan, et.al., OMB Case No. C-C15-0007*

Mr. Bangayan is being charged, together with four members of the LWUA Board, and other officials of the LWUA Management with alleged violations of (a) Malversation of Public Funds under Article 217 of the Revised Penal Code and, (b) Section 3(e) and (g) of R.A. 3019.

These charges are in connection with the use of LWUA corporate funds in extending loans to water districts nationwide under the Non-LWUA Initiated Funds (NLIF) Project from 2009 to 2011, which stemmed from the approval of the LWUA Board of Board Resolution No. 19, Series of 2009, upon the recommendation made and data provided to the Board by the LWUA Management.

For his defense, Mr. Bangayan argued that (a) his appointment as Trustee of the LWUA from September 2008 to March 2009 did not have legal effect; (b) he acted in good faith in voting for the use of the NLIF under said Board Resolution because he made it on the basis of the recommendation made as well as data given by the LWUA Management to the LWUA Board; and, (c) the Office of the Government Corporate Counsel did not specifically find any fault on the part of the LWUA Board.

On July 7, 2017, Mr. Bangayan through counsel, requested the Office of the Ombudsman for the status of the instant case. In its letter dated July 7, 2017, the Office of the Ombudsman stated that the case is still ongoing preliminary investigation and that there has been no resolution, orders, notices and/or pleadings issued and/or filed from June 2015. To date, Mr. Bangayan has not received any notice of the outcome of the preliminary investigation of this case.

7. *Ombudsman vs. Bundoc, et. Al., G.R. No. 225521-28, Supreme Court, First Division*

On November 2012, the Office of the Ombudsman issued a review decision finding certain individuals, including Jesus S. Guevara II, guilty of Grave Misconduct and Conduct Prejudicial to the Best Interest of the Service. On November 2015, the Court of Appeals set aside the decision, which prompted the Office of the Ombudsman to file a motion for reconsideration. The Court of Appeals denied such motion for reconsideration on June 2016. A petition for review on certiorari was filed by the Office of the Ombudsman before the Supreme Court on August 2016. The Supreme Court in its Order dated December 1, 2016 and received on March 30, 2017, ordered the respondents including Jesus Guevara II to comment on the Petition filed by the Ombudsman. The respondents including Jesus Guevara II seasonably filed their Comment before the Supreme Court.

Other court cases typical and customary in the course of the business operations of the Company such as those, among others, involving collection, qualified theft, breach of contract and reckless imprudence have been filed by and against the Company, by and against its employees and/or third parties. The results of which will not significantly affect the financial standing of the Company.

Except for the above, to the best of the Company's knowledge there has been no occurrence during the past five (5) years up to the date of this Annual Report of any of the following events which are material to an evaluation of the ability or integrity of any Director, person nominated to become a Director, executive officer, or control person of the Company:

- Any insolvency or bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the insolvency or within two years prior to that time;
- Any conviction by final judgment in a criminal proceeding, domestic or foreign, or any pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;
- Any final and executory order, judgment, or decree or any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending, or otherwise limiting involvement in any type of business, securities, commodities, or banking activities; and
- Any final and executory judgment by a domestic or foreign court or competent jurisdiction (in a civil action), the Commission, or comparable foreign body, or a domestic or foreign exchange or electronic marketplace or self-regulatory organization, for violation of a securities or commodities law.

There are no other pending material legal cases as far as records of the Company are concerned.

II. Executive Compensation

The Company's executive officers are regular employees entitled to a 12-month compensation package and other mandatory pay and benefits. They also receive performance bonuses similar to those of the managerial, supervisory and technical employees.

The members of the Board of Directors who are not employees of the Company are elected for a period of one (1) year. The Company pays its non-executive Directors a per diem of ₱30,000.00 for each meeting. There are no other arrangements for which the members of the Board of Directors are compensated.

The members of the Board of Directors are elected for a period of one (1) year.

The aggregate compensation paid or incurred during the last two (2) fiscal years and estimated to be paid in the ensuing fiscal year to the executive officers of the Company are as follows:

Compensation of Executive Officer and Directors (in ₱ millions)				
Name and Principal Position	**Salary**	**Bonus**	**Other**	**Total**
	Estimated Compensation For the Year Ended December 31, 2021			
Chryss Alfonsus V. Damuy President & CEO **Cherylyn C. Uy** Treasurer **Ignacia S. Braga IV** Chief Financial Officer **Raul L. Quisumbing** General Manager Interport Services Trans-Asia Shipping Vice President – Marketing & Port Operations				
CEO & Most Highly Compensated Executive Officers	28.43	0.24	7.28	35.94
All other officers as a group unnamed	2.41	0.27	0.84	13.52

Compensation of Executive Officer and Directors (in ₱ millions)				
Name and Principal Position	**Salary**	**Bonus**	**Other**	**Total**
	Actual Compensation For the Year Ended December 31, 2020			
Chryss Alfonsus V. Damuy President & CEO **Cherylyn C. Uy** Treasurer **Ignacia S. Braga IV** Chief Financial Officer **Irwin M. Montano** Chief Operating Officer Starlite Ferries, Inc. **Rizza C. Cantre** Vice President- Human Resources **Raul L. Quisumbing** Vice President – Marketing & Port Operations				
CEO & Most Highly Compensated Executive Officers	30.2	0.8	6.7	37.8
All other officers as a group unnamed	16.1	0.3	0.7	17.0

Compensation of Executive Officer and Directors (in ₱ millions)				
Name and Principal Position	Salary	Bonus	Other	Total
	Actual Compensation For the Year Ended December 31, 2019			
Chryss Alfonsus V. Damuy President & CEO **Cherylyn C. Uy** Treasurer **Ignacia S. Braga IV** Chief Financial Officer **Irwin M. Montano** Chief Operating Officer Starlite Ferries, Inc. **Ma. Henedina V. San Juan** Corporate Secretary and AVP for Legal and Corporate Affairs				
CEO & Most Highly Compensated Executive Officers	26.4	1.1	8.3	35.8
All other officers as a group unnamed	14.7	1.0		15.6

Compensation of Executive Officer and Directors (in ₱ millions)				
Name and Principal Position	Salary	Bonus	Other	Total
	Actual Compensation For the Year Ended December 31, 2018			
Chryss Alfonsus V. Damuy President & CEO **Cherylyn C. Uy** Treasurer **Ignacia S. Braga IV** VP – Finance **Irwin M. Montano** VP – Human Resources **Ma. Henedina V. San Juan** Corporate Secretary and AVP for Legal and Corporate Affairs				
CEO & Most Highly Compensated Executive Officers	19.6	8.6	6.1	34.3
All other officers as a group unnamed	4.3	0.9	-	5.2

Generally, a typical employment contract executed between the Company and its named executive officers has the following terms:

a. Specification of job title, commencement date of employment, work assignment and possible need for reassignment of work or location as the need may arise.
b. Probation of six months from commencement of employment. If the job performance is found to be satisfactory, employment shall be converted to regular status.
c. Salary & Benefits: specifies that the executive officer shall receive his or her monthly salary and a guaranteed 13th month pay less the necessary government deductions required by law, such as but not limited to SSS premium, PHILHEALTH, and PAG-IBIG contributions. The same section likewise provides that the executive's salary shall be subject to annual review which shall take into consideration his or her performance and the achievement of a mutually-agreed goals.
d. Exclusivity: The employment contract states that the executive shall render exclusive service to the Company and to work with other companies, regardless of whether such work is done

outside of office hours, without the consent of the Company, is prohibited.

e. Confidentiality: The executive is duty bound to keep confidential information, materials and records which he or she may access in the course of his or her employment with the Company and he or she may not disclose or reproduce the same without the consent of the Company.
f. Professional Conduct: The executive concerned is expected to comply with all the policies and procedures which the Company may issue from time to time. It is specifically prohibited to accept any or all kinds of gifts from suppliers and customers without the consent of the Company.

Employees' Stock Option Plan (ESOP)

The Company has an existing Stock Option Plan which was approved by the stockholders and the Board of Directors on March 15, 2019. The objective of the ESOP is to recognize the loyalty, dedication and exemplary performance of the Company's employees, thereby encouraging long-term commitment to the Company.

Under the ESOP, the Company shall initially reserve for the exercise of stock options up to 56.3 million of the Company's outstanding Common Shares to be issued in whole or in part out of the authorized but unissued shares, with 66.67% to be granted to existing employees as of the Initial Offering Date (IOD) while the remaining 33.33% is reserved for employees hired after the IOD. Stock options may be granted within 5 years from the adoption of the ESOP and may be exercised within 10 years from the date of grant. The exercise price was based on the volume weighted average price of the Company 30 days prior to the IOD. The stock options shall vest for 1 to 5 years from the IOD. The Company shall receive cash for the stock options.

Shown below are the information on options held by Directors and Officers of the Company.

Options Held by Directors and Executive Officers						
Name and Principal Position	Options Granted	Vesting Period				
		2020	2021	2022	2023	2024
Dennis A. Uy Chairman of the Board	6,762,685	1,352,537	1,352,537	1,352,537	1,352,537	1,352,537
Chryss Alfonsus V. Damuy President & CEO Cherylyn C. Uy Treasurer Ignacia S. Braga IV Chief Financial Officer Arthur Kenneth L. Sy President, Trans-Asia Dexter A. Silva President, Worklink Irwin M. Montano Chief Operating Officer, Starlite Raul L. Quisumbing Vice President - Marketing & Port Operations						
CEO and Most Highly Compensated Executive Officers	6,887,926	1,377,585	1,377,585	1,377,585	1,377,585	1,377,585
All Other Officers of the Company	1,151,408	230,282	230,282	230,282	230,282	230,282

As of December 31, 2020, none of the above options were exercised.

III. Security Ownership of Certain Beneficial Owners and Management

1. Security Ownership of Certain Records and Beneficial Owners as of December 31, 2020

Title of Class	Name & Address of Record Owner & Relationship to Issuer	Name of Beneficial Owner & Relationship to Record Owner	Citizenship	No. of Shares	Percentage of Outstanding Shares
Common	Udenna Corporation Stella Hizon Reyes Road, Bo. Pampanga, Davao City *Stockholder*	Udenna Corporation	Filipino	1,275,384,606	70.000%
Common	PCD Nominee Corporation 29/F BDO Equitable Tower 8751 Paseo de Roxas, Makati City *Stockholder*	PCD participants acting for themselves or for their customers	Filipino	544,454,192	29.882%

**PCD Nominee Corporation is not a related Company*

Udenna Corporation is the holding company of the Uy family. It is directly owned by spouses Dennis A. Uy and Cherylyn C. Uy.

The 544,454,192 common shares under the name of PCD Nominee Corporation are owned by PCD participants acting for themselves or for their Filipino customers.

Other than the stockholders identified above, as of December 31, 2020, there are no other stockholders other than participants under PCD account who own more than five percent (5%) of the voting securities.

As of December 31, 2020, 0.923% or 16,820,680 common shares are owned by foreign stockholders.

2. Security ownership of Directors and Management as of December 31, 2020

Title of Class	Name of Beneficial Owner	Citizenship	Nature of Beneficial Ownership	No. of Shares	Percentage of Outstanding Shares
Directors					
Common	Dennis A. Uy	Filipino	Direct Indirect	215,501 892,769,224	.01% 49.000%
Common	Cherylyn C. Uy	Filipino	Direct Indirect	1 382,615,382	NIL 21.000%
Common	Chryss Alfonsus V. Damuy	Filipino	Direct	722,000	0.04%
Common	Eduardo A. Bangayan	Filipino	Direct	70,001	NIL
Common	Miguel Rene A. Dominguez	Filipino	Direct	1	NIL
Common	Jesus S. Guevara II	Filipino	Direct Indirect	1 100,000	NIL 0.01%
Common	Gener T. Mendoza	Filipino	Direct	20,001	NIL
Common	Arthur Kenneth L. Sy	Filipino	Direct	1	NIL
Common	Efren E. Uy	Filipino	Direct	270,001	NIL
Executive Officers					
Common	Ignacia S. Braga IV	Filipino	Direct	802,000	0.04%
Common	Ma. Henedina V. San Juan	Filipino	Direct	219,000	0.01%

Title of Class	Name of Beneficial Owner	Citizenship	Nature of Beneficial Ownership	No. of Shares	Percentage of Outstanding Shares
Common	Maria Katherine A. Agbay	Filipino	N/A	NIL	
Common	Leandro E. Abarquez	Filipino	Direct	36,300	NIL
All Directors and Officers as a group				**1,277,839,413**	**70.130%**

As of December 31, 2020, Directors and Executive Officers of the Company owned an aggregate of 1,277,839,413 shares of the Company, equivalent to 70.13% of the Company's total issued and outstanding shares.

3. Changes in Control

The Company is not aware of any arrangements that may result in a change of control in the Company since the beginning of its fiscal year.

4. Voting Trust Holders of 5% or more

Other than those mentioned above, there are no persons holding more than five percent (5%) of a class under a voting trust or any similar agreements as of the date of this Report.

IV. Certain Relationships and Related Transaction

The Company's related parties include its parent company, related parties under common ownership, the Company's key management personnel and stockholders.

A summary of the Group's transactions with its related parties for the periods ended December 31, 2020 and 2019 and the related outstanding balances as of December 31, 2020 and 2019 is presented in the succeeding table.

Related Party Category	Notes	Amounts of Transactions 2020	Amounts of Transactions 2019	Amounts of Transactions 2018	Outstanding Balances 2020	Outstanding Balances 2019
Parent —						
Cash advances granted	21.4	P **317,184,433**	(P 2,283,754,735)	P 518,714,995	P **980,378,702**	P 663,194,269
Associate —						
Chartering of services rendered	21.1	-	237,132,921	376,645,369	-	18,525,327
Sale of Dito	10	**4,106,249,866**	-	-	**271,874,967**	-
Related parties under common ownership:						
Chartering of services rendered	21.1	**447,541,689**	987,960,089	680,403,799	**70,355,694**	305,378,198
Fuel purchases	21.2	**1,261,997,185**	1,769,113,489	1,504,293,849	**(2,659,297,546)**	(1,050,164,518)
Acquisition of SFFC's shares	21.6	-	650,000,000	-	**(534,081,016)**	(640,956,087)
Acquisition of CSC's shares	21.6	-	-	-	**(500,000,000)**	(500,000,000)
Rental income	21.3	-	3,003,290	5,072,938	-	-
Rental expense	21.3	**80,955**	644,065	2,825,746	**(57,748)**	(57,748)
Donation	21.8(b)	**180,000**	360,000	360,000	**(180,000)**	(30,000)
Cash advances granted	21.4	**(2,716,725)**	(29,548,339)	120,405,421	**148,341,141**	151,057,866
Cash advances obtained	21.4	**(527,032,651)**	1,078,717,998	(1,004,673,484)	**(587,784,015)**	(1,114,816,666)

Unless otherwise stated, the outstanding receivables and payables from and to related parties are unsecured, noninterest-bearing and are generally settled in cash upon demand or through offsetting arrangement with the related parties.

In addition, the following table presents the outstanding balance of advances to officers and employees of the Company as of:

	December 31, 2020	December 31,2019
Advances to officers and employees	₱24,603,182	₱20,909,146

Advances to officers and employees represent unsecured, non-interest-bearing cash advances for business-related expenditures and are subject to liquidation.

V. Ownership structure and parent company

As of December 31, 2020, Udenna Corporation owns 70.00% of the outstanding shares of the Company.

VI. Resignation of Directors

Since the organizational meeting of the Company on March 15, 2020, no Director or Officer has resigned because of a disagreement with the Company on any matter relating to the Company's issuance, operations, policies or practices.

PART V – CORPORATE GOVERNANCE

The Company adopted a Manual of Corporate Governance (the "Manual") to ensure its compliance with the leading practice on good corporate governance and related Philippine SEC rules and regulations. The Manual was approved and adopted by its Board of Directors and deemed effective as of March 27, 2017.

The Manual features the following provisions:

- *Protection of investors.* The Manual provide for shareholders' rights and protection, investor relations and a disclosure system to ensure transparency and accountability.
- *Board of Directors and Management.* The detailed qualifications and disqualifications, duties, functions and responsibilities of the Board and executive officers are also enumerated in the Manual.
- *Checks and balances.* The Manual contains the vision, strategic objectives, key policies, procedures for the management of the Company, and mechanisms for monitoring and evaluating management's performance.
- *Compliance with the Manual.* The appointment of a Compliance Officer to monitor compliance with and violations of the Manual is also provided.
- *Creation of committees.* The Manual mandates the creation of the Nomination Committee, the Audit Committee, the Corporate Governance Committee, the Board Risk Oversight Committee and the Related Party Transaction Committee, to ensure the performance of certain important functions of the Board and of Management.

The Company will continue to improve its corporate governance, and will amend, the Manual as may be necessary.

<u>Compliance with Corporate Governance Manual</u>

The Company strives to fully comply with its Corporate Governance Manual. To date, the Company's compliance is not measured by weight program nor by a grading system. The Company's compliance with its Corporate Governance Manual, however, is manually examined against the adopted written principles.

In August 2018, in pursuance of its commitment to adopt leading corporate governance practices, Company with the approval of its Board of Directors adopted four (4) Board Committee Charters, namely: (i) Board Risk Oversight Committee Charter, (ii) Corporate Governance Committee Charter, (iii) Audit Committee Charter; and (iv) Related Party Transactions Committee Charter.

Further, on the same year, the members of the Audit Committee were also changed to adopt the corporate governance recommendation that the Audit Committee be composed of at least three (3) Independent Directors, including the Chairman of the Committee.

Similarly, in October 2018, the re-designing and re-development of the Company's website was completed in order to conform to the mandatory website contents of the Philippine Securities and Exchange Commission and Philippine Stock Exchange (PSE). All Company disclosures made through the PSE Edge System are mirrored in the Company website. The Company charters, policies and manual for various activities and processes are also available on the Company website.

Corporate Governance Outlook

In 2019, in order to improve on the corporate governance practices of the Company, a Committee was created to formulate governance related policies, including the Code of Business Conduct and Ethics, Insider Trading Policy and Policy on Conflict of Interest.

In addition, the Company rolled out its Employee Stock Option Plan (ESOP 2019), as approved during the Annual Stockholders' Meeting held on March 15, 2019. This will form part of the Company's program in recognizing and rewarding the performance of its employees beyond short-term financial measures. The implementation of this program is currently in process.

The Company shall endeavor to adopt and implement more leading corporate governance practices in the future.

PART VI – EXHIBITS AND SCHEDULES

I. Exhibits and Reports on SEC Form 17-A

Annex A: **Management's Discussion & Analysis of Financial Condition and Results of Operations for the Year Ended December 31, 2020 and 2019**

Annex B: **Statement of Management's Responsibility for Consolidated Financial Statements and Audited Consolidated Financial Statements**

Annex C: **Sustainability Report**

II. Signatures

ANNEX A

MANAGEMENT REPORT

I. MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) OF FINANCIAL CONDITION AND RESULTS OF OPERATION

This discussion summarizes the significant factors affecting the consolidated operating results and financial condition of Chelsea Logistics and Infrastructure Holdings Corp. and its Subsidiaries (CLC or the Group) as of and for the year ended December 31, 2020. The following discussion should be read in conjunction with the attached consolidated financial statements of the Company as of December 31, 2020 and 2019, and the related consolidated Statements of Profit or Loss, Comprehensive Income, Changes in Stockholders' Equity, and Cash Flows for each of the years ended December 31, 2020, 2019 and 2018.

Comparable discussion on Material Changes in Results of Operations for the Year Ended December 31, 2020 vs. December 31, 2019.

	December 31, 2020		December 31, 2019		Change	
Amounts in millions	Amount	%S	Amount	%S	Amount	%
Revenues	P 4,679	100%	P 7,220	100%	(P 2,541)	-35%
Cost of sales and services	5,298	113%	5,589	77%	(291)	-5%
Other Operating Expenses	1,042	22%	996	14%	46	5%
Expected credit losses on receivables	762	16%	-	0%	762	-
Operating Profit (Loss)	(2,423)	-52%	635	9%	(3,058)	-482%
Other Charges - Net	(479)	-10%	(1,607)	-22%	1,128	-70%
Profit (Loss) Before Tax	(2,902)	-62%	(972)	-13%	(1,930)	198%
Tax Expense (Income)	409	9%	(141)	-2%	550	-391%
Net Profit (Loss)	**(P 3,312)**	-71%	(P 832)	-12%	(P 2,480)	298%
Add Back:						
Tax Expense (Income)	409		(141)		550	-391%
Depreciation and Amortization	1,676		1,272		404	32%
Interest Expense	1,302		1,224		78	6%
Share in Net Loss (Income) of an Associate	1,046		483		563	117%
Provision for expected credit losses	762		-		762	0%
Loss on remeasurement of investment	333		-		333	0%
Impairment loss on property and equipment	71		7		63	0%
Loss on debt modification	87		-		87	0%
Less: Gain on bargain purchase	(1,185)		-		(1,185)	0%
Gain on sale of an associate	(984)		-		(984)	0%
Interest Income	(0)		(3)		3	-83%
EBITDA	**P 205**	4.38%	**P 2,011**	28%	**(P 1,806)**	-90%

The first two months of the year 2020 promised a record performance for the Group with operating units achieving their respective revenue targets. This performance was the result of all the various strategies and other business alignments implemented across the Group. However, in March the COVID-19 pandemic escalated rapidly, and the resulting impact on the operations and the measures taken by the government to contain the virus have negatively affected the Group's results in the operating period. Community quarantine imposed by the national government starting March 15, 2020 resulted to travel restrictions via land, sea and air transport. Although movement of essential goods were allowed, cargo volume dropped considerably in the first two and a half months of the enhanced community quarantine (ECQ) period. The gradual lifting of restrictions resulted to slight improvement in the Group's operations which is still far from its pre-pandemic operating results.

As a result, the Group posted a Net Loss of ₱3,312 million for the year ended December 31, 2020. This is almost three-folds increase or P2,480 million higher than the ₱832 million Net Loss as of December 31, 2019.

This year, losses includes Share in Net Losses of an Associate amounting to ₱1,046 million; Provision for expected credit losses on receivables of ₱762 million; Impairment on remeasurement of investment of ₱333 million; Loss on debt modification of ₱87 million; and Impairment Loss on Property and Equipment of ₱71 million. On the other hand, the Group recognized Gains on Bargain Purchase and Sale of an Associate amounting to ₱1,185 million and ₱984 million, respectively.

EBITDA dropped significantly by 90% from ₱2,011 million in 2019 to ₱205 million in 2020.

Revenues

Presented below is the comparison of the Group's consolidated revenues for the year ended December 31, 2020 as compared to the consolidated revenues for the year 2019.

	December 31, 2020		December 31, 2019		Change	
Amounts in millions	Amount	%Total	Amount	%Total	Amount	%
Freight	P 2,097	45%	P 2,688	37%	(P 591)	-22%
Tankering	1,165	25%	1,983	27%	(819)	-41%
Passage	501	11%	1,423	20%	(922)	-65%
Logistics	368	8%	368	5%	-	0%
Tugboat fees	351	7%	338	5%	12	4%
Others	198	4%	420	6%	(222)	-53%
Total Revenues	P 4,679	100%	P 7,220	100%	(P 2,541)	-35%

Based on the comparison of the actual revenue performance in 2020 as against 2019, the Group's revenues declined by ₱2,541 million or 35% to ₱4,679 million from ₱7,220 million. The community quarantine restrictions greatly affected all revenue segments of the Group.

Travel limitations brought Passage revenue to a ₱922 million or 65% decline to ₱501 million in 2020 from ₱1,423 million in 2019. Passage steadily declined from the March 2020 lockdown and continued to the succeeding months until hitting zero level during periods of complete lockdown. To date, passage has yet to recover to pre-COVID levels. While the decrease in Tankering revenue, which consist of charter fees and standby charges by ₱819 million or 41% to ₱1,165 million from ₱1,983 million was due to reduction in movement of petroleum products in 2020. Its base customers were from the petroleum, airline, and power industries. The airline industry grounded almost all aircraft in 2020. Bunker-fired power plants were idle with power requirements at low levels during the year. Transport sector was also greatly affected and thus there was a low demand for fuel. All these situations affected the tanker business. Freighter segment suffered a significant volume drop during the ECQ period is now in the recovery phase with cargo movement increasing in the market starting in the latter part of the second half of 2020. Thus, Freight revenue reduced by ₱591 million or 22% to ₱2,097 million in 2020 from ₱2,688 million in 2019.

Tugboat revenues slightly increased by ₱12 million or 4% to ₱351 million from ₱338 million in 2020 and 2019, respectively.

Costs and Expenses

A breakdown of the Group's consolidated Costs of Sales and Services for the year 2020 as compared to details of direct costs for 2019 is shown below:

	December 31, 2020		December 31, 2019		Change	
Amounts in millions	Amount	%Total	Amount	%Total	Amount	%
Bunkering	P 1,569	30%	P 1,984	35%	(P 414)	-21%
Depreciation and amortization	1,559	29%	1,213	22%	345	28%
Salaries and employee benefits	682	13%	746	13%	(65)	-9%
Insurance	230	4%	249	4%	(19)	-8%
Outside services	235	4%	290	5%	(55)	-19%
Repairs and maintenance	257	5%	266	5%	(9)	-3%
Handling expenses	200	4%	166	3%	33	20%
Port expenses	177	3%	206	4%	(28)	-14%
Rentals	33	1%	31	1%	2	7%
Cost of inventories sold	49	1%	69	1%	(20)	-29%
Supplies	52	1%	79	1%	(27)	-34%
Taxes and licenses	22	0%	32	1%	(9)	-30%
Commission	24	0%	22	0%	2	8%
Utilities and communication	21	0%	26	0%	(5)	-20%
Charter hire fees	32	1%	87	2%	(55)	-63%
Transportation and travel	7	0%	12	0%	(6)	-45%
Impairment losses on property and equipment	71	1%	7	0%	63	857%
Miscellaneous	78	1%	103	2%	(25)	-24%
Total Costs of Sales and Services	P 5,298	100%	P 5,589	100%	(P 292)	-5%

Unparalleled variance to net decline in Net Revenue of the Group's Cost of Sales and Services was driven by (1) costs incurred by vessels put on laid up status, and (2) additions on property and equipment and impairment losses. The laid up vessels continue to incur costs on salaries and wages for the minimum manning requirement, port expenses, bunker fuel, insurance, and depreciation and amortization. Despite lower number of trips this year, operating vessels moved at lower load factor as demand declined significantly due to travel restrictions and lower cargo volume.

Total Costs of Sales and Services decreased by ₱292 million or 5% to ₱5,298 million in 2020 from ₱5,589 million in 2019. Bunkering cost decreased by ₱414 million or 21% to ₱1,569 million from ₱1,984 million in 2020 and 2019, respectively. The cost includes ₱200 million in fuel hedging losses incurred in 2020.

On the other hand, with the arrival of a new vessel, a brand new ROPAX this year and the full year depreciation impact of three additional ships acquired and deployed in late 2019, Depreciation and Amortization cost increased by ₱345 million or 28% to ₱1,559 million from ₱1,213 million in 2020 and 2019, respectively. Also, the Group booked ₱71 million in impairment losses on vessels of subsidiaries – Trans-Asia Shipping Lines Inc. this year. Full year costs of Supercat Fast Ferry Corp. were also included this year as a result of its acquisition and consolidation starting October 2019.

A breakdown of the Group's consolidated Other Operating Expenses for the year 2020 as compared to details of direct costs for 2019 is shown below:

	December 31, 2020			December 31, 2019			Change		
Amounts in millions	Amount		%Total	Amount		%Total	Amount		%
Salaries and employee benefits	P	**409**	39%	P	460	46% (	P	51)	-11%
Outside services		**145**	14%		59	6%		87	148%
Taxes and licenses		**119**	11%		138	14% (		18)	-13%
Depreciation and amortization		**117**	11%		59	6%		58	98%
Rentals		**37**	4%		50	5% (		13)	-26%
Professional fees		**27**	3%		32	3% (		5)	-15%
Transportation and travel		**19**	2%		30	3% (		12)	-39%
Utilities and communication		**28**	3%		30	3% (		3)	-8%
Repairs and maintenance		**19**	2%		14	1%		5	36%
Supplies		**10**	1%		18	2% (		8)	-44%
Insurance		**10**	1%		6	1%		4	57%
Commission		**0**	0%		4	0% (		4)	-92%
Representation and entertainment		**4**	0%		6	1% (		2)	-35%
Miscellaneous		**98**	9%		90	9%		8	9%
Total Other Operating Expenses	P	**1,042**	100%	P	996	100%	P	45	5%

The Group's consolidated Other Operating Expenses increased by ₱45 million or 5% to ₱1,042 million in the current year from ₱996 million in prior year. Depreciation and amortization expenses went up by ₱58 million or 98% to ₱117 million in 2020 from ₱59 million in 2019 due to full year effect of PFRS 16 application and additional contracts during the year. The continued expansion of the Group brought increase in Outside Services cost by ₱87 million to ₱145 million in 2020 from ₱59 million in 2019.

In 2020, measures were taken by the Group to manage and contain costs. Manpower rationalization resulted to a 22% reduction in personnel with total cost paid of ₱28.5 million as at end of the year.

In the period since December 31, 2019, the Group has provided for expected credit losses on outstanding receivables amounting to ₱762 million.

Net Other Charges decreased by ₱1,128 million or 70% to ₱479 million in 2020 from ₱1,607 million in 2019. The change resulted from the combined effects of the following:

- The Gain on Bargain Purchase of ₱1,185 million and Loss on Remeasurement of Investment of ₱333 million arose from the step-up acquisition of a subsidiary, KGLI-NM were recorded in 2020. The investment and corresponding goodwill were measured at fair value less cost to sell.
- Share in Net Loss of Associates booked in 2020 amounted to ₱1,046 million - Dito Holdings Corp. (DHC) of ₱149.4 million, 2GO of ₱205.8 million, and Dito Telecommunity Corp. (DTC) of ₱691 million. This is ₱563 million higher compared to ₱483 million share in net loss of associates recorded in 2019.
- On October 30, 2020, CLC's BOD approved the sale of its 40,833,332 common shares and 22,916,666 preferred shares of DTC to DHC which resulted to a Net Gain on Sale of an Associate of ₱984 million. CLC owned 42% of DHC, however subsequently diluted to 11% upon subscription of Udenna Communications Media and Entertainment Holdings Corp. (UCME) to additional common shares in DHC, resulting to an indirect ownership of CLC in DTC of 6.6%.
- Relative to restructured loans of the Group, ₱87 million loss on debt modification was recorded in 2020.

- Increase in Finance cost by ₱78 million or 6% to ₱1,302 million in the current period from ₱1,224 million in the prior period arising from additional funding obtained from banks to finance vessel acquisitions in 2020 and 2019.

Tax expenses of ₱409 million includes derecognized deferred tax assets related to NOLCO and MCIT in the years 2017, 2018, and 2019.

Financial Condition
December 31, 2020 versus December 31, 2019

	December 31, 2020			December 31, 2019			Change		
Amounts in millions		Amount	%Total		Amount	%Total		Amount	%
Current Assets	P	4,988	13%	P	5,055	12%	(P	66)	-1%
Non-Current Assets		24,963	67%		35,950	88%	(	10,987)	-31%
Non-Current Assets Held for Sale		7,403	20%		-	0%		7,403	-
Total Assets	P	37,355	100%	P	41,004	100%	(P	3,650)	-9%
Current Liabilities	P	16,761	60%	P	18,077	63%	(P	1,316)	-7%
Non-Current Liabilities		11,108	40%		10,473	37%		635	6%
Total Liabilities	P	27,869	100%	P	28,551	100%	(P	682)	-2%
Total Equity	P	9,486	100%	P	12,454	100%	(P	2,968)	-24%

The Group's Total Assets as at December 31, 2020 amounted to ₱37,355 million, ₱3,650 million or 9% lower compared to 2019. Non-Current Assets dipped by ₱3,683 million or 10% to ₱32,366 million brought by the decrease in Investments in Associates account by ₱5,443 million or 85% due to reclassification of 2GO investments as Other Non-Current Assets Classified as Held for Sale.

In 2020, CLIHC obtained a direct investment on an associate, KGLI-NM's Preferred C shares. Due to direct investment, KGLI-NM is now considered a subsidiary of CLIHC with combined 90% voting interest. Such acquisition was considered as a Step-up Acquisition with view of resale. As a result, the investment and the corresponding Goodwill were measured at fair value less cost to sell. The remeasurement reduced the recorded Goodwill by 68% to ₱1,848 million in 2020.

On March 19, 2021, CLIHC signed Agreements to sell its entire effective interests of around 31.73% in 2GO Group, Inc. at ₱8.50 per share through KGLI-NM Holdings, Inc., a CLIHC subsidiary company.

Certain vessels were identified as available for sale in 2021. The carrying values of the vessels were computed to respective fair values less cost to sell and reclassified as Other Non-Current Assets Classified as Held for Sale. Property and Equipment account declined by 6% to ₱21,504 million this year.

Current Liabilities were down by ₱1,316 million or 7% to ₱16,761 million. Trade and Other Payables significantly lowered due to slow down in operations and cost containment measures of the Group.

Increase in total bank loans – short and long term by ₱613 million or 4% to ₱16,920 million is due to additional loans obtained to finance vessel acquisitions in 2020 and 2019.

Deferred tax liabilities increased by ₱193 million to ₱357 million due to revaluation reserves on property and equipment.

Total Equity dropped by ₱2,968 million or 24% to ₱9,486 million due to operating losses incurred by the Group in 2020 amounting to ₱3,312 million.

Redeemable Preference Shares are fixed dividends for four years in KGLI NM has a face value of ₱430 million plus accrued interest of ₱800M. A total of ₱1,230 million is lodged under Current Liabilities.

In October 2020 the Board of Directors approved the issuance of 500,000 Preferred Shares with par value of ₱1.00 per share through a private placement subject to the terms and conditions specified by the Directors. Subscription price of the shares is ₱1,000 per share. This is presented as part of the Deposits for Future Stock Subscription.

Also in October 2020, the Shareholders ratified the BOD approval of the increase in the authorized capital stock of CLIHC to ₱3,500 million with an increase of 1,500 million common shares. The ultimate parent, Udenna Corporation subscribed to 375 million common shares equivalent to 25% of the total increase at the price of ₱3.26 per share with reference to the 90-day VWAP. This is presented as part of Deposits on Future Stock Subscription. The increase in authorized capital stock is pending approval of SEC as of December 31, 2020.

Comparable discussion on Material Changes in Results of Operations for the Year Ended December 31, 2019 vs. December 31, 2018.

Revenues

Presented below is the comparison of the Group's consolidated revenues for the year ended December 31, 2019 as compared to the consolidated revenues for the year 2018.

								Change	
Amounts in millions		December 2019			December 2018			Peso	%
Freight	P	**2,441**	**35%**	P	1,709	33%	P	732	43%
Tankering		**1,983**	**28%**		1,746	34%		237	14%
Passage		**1,423**	**20%**		969	19%		454	47%
Logistics		**459**	**7%**		287	6%		172	60%
Tugboat fees		**338**	**5%**		334	6%		4	1%
Others		**329**	**5%**		127	2%		202	159%
Total Revenues	P	**6,974**	**100%**	P	5,172	100%	P	1,802	35%

Based on the comparison of the actual performance during the year ended 2019 against the previous year, the Group's revenues increased by ₱1,802 million or 35% to ₱6,974 million from ₱5,172 million. Each business segment of the Group showed robust growth. Tankering revenues (consisting of charter fees and standby charges) increased from ₱1,746 million to ₱1,983 million as a result of the operations of MT Chelsea Providence, the Group's medium-range tanker and the largest registered tanker in the Philippines. In addition, the utilization of the Group's other tankers also increased with the higher volume of petroleum products shipped for the period from 656 million liters in 2018 to 1,193 million liters in 2019. Similarly, revenues from freight segment grew by 43% from ₱1,709 million in 2018 to ₱2,441 million in 2019, while passage revenues rose by 47% from ₱969 million in 2018 to ₱1,423 million in 2019. The growth in the freight and passage revenues can be attributed to the operations of new vessels deployed during the year. In addition, the conversion from seat to bed RORO and re-routing of MV Starlite Archer and MV Starlite Saturn from short-haul trips to Batangas-Caticlan and Batangas-Culasi via Sibuyan also contributed to better revenue performance for the passage and freight business.

Tugboat fees slightly increased by 1% for the year ended 2019 from ₱334 million to ₱338 million as a result of the Group's expanded tugboat operations in Batangas, Davao, and recently, in Cagayan de Oro.

The Group's logistics business, which currently accounts for 7% of the total consolidated revenues, posted the biggest growth of 60% from 2018's ₱287 million to ₱441 million in 2019. This was a result of the Group's continued expansion program of increasing its warehouse capacity from 6,522 sqm. In 2018 to 13,973 sq.m. In 2019 and trucking fleet. This segment is expected to further improve once the Group's warehouse complex located on a 2.5-hectare property in Brgy. Ligid-Tipas, Taguig City commences commercial operations in 2020.

Costs of Sales and Services

A breakdown of the Group's consolidated Cost of Sales and Services for the year 2019 as compared to details of direct costs for 2018 is shown below.

Amounts in millions	December 2019		December 2018		% Change
Bunkering	**P**	**1,984**	P	1,243	60%
Depreciation and amortization		**1,213**		836	45%
Salaries and employee benefits		**746**		590	26%
Outside services		**290**		139	109%
Repairs and maintenance		**266**		121	120%
Insurance		**249**		146	71%
Port expenses		**206**		148	39%
Charter hire fees		**87**		240	-64%
Supplies		**79**		97	-19%
Cost of inventories sold		**69**		11	527%
Taxes and licenses		**32**		30	7%
Rentals		**31**		41	-24%
Utilities and communication		**26**		23	13%
Commissions		**22**		41	-46%
Transportation and travel		**12**		19	-37%
Miscellaneous		**111**		30	270%
Total Costs of Sales and Services	**P**	**5,423**	P	3,755	44%

As can be seen from the preceding table, the significant drivers to the increase in Cost of Sales and Services were the bunkering costs, depreciation and amortization, crew salaries and employee benefits, repairs and maintenance and insurance, which grew by ₱741 million, ₱377 million, ₱156 million, ₱145 million and ₱103 million, respectively, as a result of additional vessel deployments for the period. In addition, outside services increased by ₱151 million as a result of the significant increase in volume of delivery services for the Group's logistics business.

Operating Expenses

Other Operating Expenses grew by 19% from ₱901 million in 2018 to ₱996 million in 2019 due to increases in salaries and employee benefits, outside services and rentals resulting from the Group's continued expansion. On the other hand, taxes and licenses declined in 2019 which was due one-time payment of documentary stamp taxes for the conversion of certain loans and filing fees related to incorporation of new companies were incurred in 2018.

Other Income (Charges)

Other charges primarily include interest expense on loans and borrowings totaling ₱1,224 million and share in net losses of 2GO Group and DITO totaling ₱483 million. Interest expense increased by ₱447 million as a result of new borrowings related to new vessels acquired.

Net Losses and EBITDA

Overall, the Group posted a Net Loss of ₱832 million for the year ended December 31, 2019 compared to the ₱551 million Net Loss reported during the previous year. A significant portion of the Net Loss reported by the Group can be attributed to its share in Net Losses of 2GO Group and DITO totaling to ₱483 million. Excluding this amount, CLIHC would have reported a Net Loss of just ₱349 million, which is primarily due to higher direct costs and increased interest costs as discussed further in the succeeding paragraphs.

EBITDA on the other hand, grew by 36% from ₱1,472 million in 2018 to ₱2,005 million in 2019.

Financial Condition
December 31, 2019 vs. December 31, 2018

Amounts in millions		December 2019		December 2018	% Change
Current Assets	**P**	**5,055**	P	6,494	-22%
Non-Current Assets		**35,949**		25,797	39%
Total Assets	**P**	**41,004**	P	32,291	27%
Current Liabilities	**P**	**18,077**	P	10,126	79%
Non-Current Liabilities		**10,473**		9,241	13%
Total Liabilities	**P**	**28,550**	P	19,367	47%
Total Equity	**P**	**12,454**	**P**	**12,924**	-4%

Total resources of the Group grew to ₱41,004 million as of December 31, 2019 from ₱32,291 million as of December 31, 2018. The increase was brought about by the Group's continued expansion programs in the shipping and logistics business and through the subscription of share in DITO Telecommunity Corporation (DITO) and the consolidation of the Supercat Fast Ferry Corporation (SFFC) which was acquired in October 2019.

Cash and cash equivalents decreased by 15% from ₱443 million as of December 31, 2018 to ₱375 million as of end of the current year as a result of capital expenditures paid in relation to the Group's continued expansion programs.

Trade and other receivables increased by 56% from ₱1,430 million as of December 31, 2018 to ₱2,226 million as of December 31, 2019 primarily due to timing of collections from customers.
Advances to related parties decreased significantly from ₱3,128 million as of December 31, 2018 to ₱814 million as of December 31, 2019 as a result of collections of advances to related parties for working capital requirements and other purposes. The remaining advances are expected to be settled in cash or through offsetting arrangements with the related parties.

Property and equipment grew from ₱17,304 million as of December 31, 2018 to ₱22,915 million as a result of the consolidation of SFFC which has 11 fast crafts, additional vessel acquisition and other capital expenditures during the year 2019 as part of the Group's continued expansion programs. In addition, the effect of adoption of PFRS 16, Leases, also contributed to the increase in property and equipment whereby the Group was required to reflect on-balance sheet the "right-of-use" (ROU) asset with a corresponding increase in lease liabilities.

While dry-docking is normally done once every two years, Maritime Industry Authority (MARINA) may extend the vessel's trading certificates upon request by the vessel owner. Following are the status of the dry-docking activities of certain vessels with appraisals of more than two years: (a) MT Great Diamond and MT Great Princess are covered by a five-year Bareboat Agreement since November 2016 and March 2017, respectively. Under a bareboat agreement, the charterer obtains full control of the vessel with all costs including dry-docking are to be shouldered by the charterer; hence, appraisal cannot be made. Meanwhile, the dry-docking procedures for MT Chelsea Denise and MV Asia Pacific are expected to be completed during the first quarter of 2020; accordingly, appraisals will be conducted during such period.

As disclosed in the consolidated financial statements, management estimates the useful lives of vessels between 2 to 35 years, which were based on each separately identifiable components of the vessel i.e. vessel equipment acquired are depreciated based on an EUL of 5 to 10 years. Acquired vessels are depreciated over an estimated useful life of 25 to 35 years from the dates of acquisition depending on whether such vessels were acquired brand new or from the second hand market. Dry-docking costs, as an industry practice, are amortized over an estimated useful lives of 24 months.

Investments in associates and a joint venture increased significantly from ₱1,821 million as of December 31, 2018 to ₱6,416 million as of December 31, 2019 resulting from subscription of shares of DITO, additional investment in Meridian. These were partially offset by the recognition of the Group's share in Net Losses of 2GO Group and DITO for the current year.

Trade and other payables increased by ₱7,263 million from ₱3,297 million as of December 31, 2018 to ₱10,760 million as of the end of the current year. The increase in Trade and other payables was primarily due to timing of payment of trade payables.

The increase in advances from related parties was primarily due to additional borrowings from such related parties. These advances are generally expected to be settled on demand or through offsetting arrangements with the related party.

Interest-bearing loans and borrowings increased by 13% from ₱15,619 million as of December 31, 2018 to ₱16,307 million as of December 31, 2019 resulting from the availment of new loans related to the acquisition of vessels in relation to the Group's continued expansion programs. In addition, the effect of adoption of PFRS 16, Leases, also contributed to the increase in interest-bearing loans and borrowings whereby the Group was required to reflect on-balance sheet the lease liabilities instead of recording expenses during the period incurred.

The increase in deferred tax liabilities by 99% was mainly due to additional revaluation increment related to the appraisal of vessels after dry-docking also contributed to the increase.

Other reserves pertain to the exce3ss of the acquisition price over the net identifiable assets of Chelsea Shipping Corp. (CSC) amounting to ₱1.0 billion. As disclosed in the notes to the consolidated financial statements, CLIHC acquired CSC on November 24, 2016 for a total consideration of ₱2.0 billion. The carrying amounts of the consolidated assets and liabilities of CSC and subsidiaries amounted to ₱8.4 billion and ₱5.4 billion, respectively. The business combination entered on December 12, 2016 is accounted for under the pooling-of-interest method (see Note 20.6).

The decrease in equity, primarily retained earnings, was due to the results of the Company's financial performance for the year ended December 31, 2019.

Key Performance Indicators and Relevant Ratios

The Group's key performance indicators and relevant ratios and how they are computed are listed below.

	2020	2019	2018
Current ratio	0.30	0.28	0.64
Debt-to-equity ratio	2.94	2.29	1.50
EBITDA margin	4.38%	28%	37%
Return on equity	-34.91%	-6.68%	-4.22%
Loss per share	-P1.82	-P0.46	-P0.30

These key indicators were chosen to provide Management with a measure of the Group's financial strength (Current Ratio and Debt to Equity) and the Group's ability to maximize the value of its stockholders' investment in the Group (Return on Equity and Earnings Per Share). Likewise, these ratios are used to compare the Group's performance with similar companies.

Known Trends or Demands, Commitments, Events or Uncertainties that will impact Liquidity

The Company is not aware of any known trends, demands, commitments, events or uncertainties that will materially affect its liquidity other than the continued prohibitions in passenger traffic due to the pandemic.

Events that will trigger Direct or Contingent Financial Obligation that is material to the Company, including any default or acceleration of an obligation

The Company is not aware of other events that will materially trigger a direct or contingent financial obligation.

Material Off-Balance Sheet Transactions, Arrangements, Obligations (including contingent obligations), and Other Relationships of the Company with Unconsolidated Entities or Other Persons Created during the Reporting Period

The Company has no material off-balance sheet transactions, arrangements, obligations and other relationships with unconsolidated entities or other persons created during the period that is not included in the Financial Statements.

Material Commitments for Capital Expenditures, the General Purpose of the Commitment and Expected Sources of Funds

As discussed in Note 23.6 to the financial statements, the Company signed a shipbuilding agreement for the delivery of a bed/seat Ro-Ro type passenger ferry ship presently identified as Builder's No. F-1351 for delivery in May 2021.

Known Trends, Events or Uncertainties that will impact Sales / Revenues / Income from Continuing Operations

The Company is not aware of any known trends, events or uncertainties that will impact its sales and/or income from continuing operations other than the continued prohibition on passenger traffic due to the pandemic.

Significant Elements of Income or Loss that Did Not Arise from Continuing Operations

On March 15, 2020, the President of the Republic of the Philippines declared the imposition of Enhanced Community Quarantine (ECQ) which restricted all land, air and sea transport to and from Luzon, in order to control the spread of the novel coronavirus. Several local government units in Visayas and Mindanao also followed with their respective Executive Orders restricting all forms of transport. These pronouncements resulted in a significant slowdown in the Group's operations even as it continuously incurred costs although most of the vessels were on laid-up status.

Seasonal Aspects that had Material Effect on the Financial Condition or Results of Operations

The RoPax segment transports passengers and cargoes within Philippine territorial waters and/or on the high seas. Due to the seasonal nature of this segment, higher passage revenues and operating profits are usually experienced in the summer months of the year (March, April and May), school holidays (October and November) and Christmas holidays (December and January) rather than in the other months of the year. Freight revenues, on the other hand, are higher at the last quarter of the year rather than in the early months. This scenario, however did not hold true for 2020 because of the ECQ declared in the various cities and provinces where the Group operates, starting second half of March 2020.

The seasons of the year have no or little effect on the operations of the tanker and tugboat segments.

ANNEX B

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS AND CONSOLIDATED AUDITED FINANCIAL STATEMENTS

CHELSEA
A UDENNA Company

Together, we serve you better.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR CONSOLIDATED FINANCIAL STATEMENTS

The management of Chelsea Logistics and Infrastructure Holdings Corp and its subsidiaries (the Group) is responsible for the preparation and fair presentation of the consolidated financial statements, including the schedules attached therein, for the years ended December 31, 2020, 2019 and 2018 in accordance with the prescribed financial reporting framework indicated therein, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

The Board of Directors reviews and approves the consolidated financial statements, including the schedules attached therein, and submits the same to the stockholders or members.

Punongbayan & Araullo, the independent auditors appointed by the stockholders, has audited the consolidated financial statements of the Group in accordance with Philippine Standards on Auditing, and in their report to the stockholders or members, have expressed their opinion on the fairness of presentation upon completion of such audit.

DENNIS A. UY
Chairman of the Board
TIN 172-020-135

CHRYSS ALFONSUS V. DAMUY
President and CEO
TIN 913-898-959

IGNACIA S. BRAGA IV
Chief Financial Officer
TIN 108-038-078

SUBSCRIBED AND SWORN to before me this APR 14 2021 day of ____ 2021 at Taguig City, affiants exhibited to me their respective TIN.

Doc. No. 122
Page No. 26
Book No. 39
Series of 2021

RUBEN T.M. RAMIREZ
Notary Public for Makati City
Until December 31, 2021
Star Centrum Condominium Makati City
IBP O.R No. 142536 / January 4, 2021
Roll No. 26567/ MCLE No. VI-0020246
PTR No. MKT 0533046/ 1/4/2021
Appointment No. M-158

P&A
Grant Thornton
An instinct for growth™

Punongbayan & Araullo
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Report of Independent Auditors

The Board of Directors and Stockholders
Chelsea Logistics and Infrastructure Holdings Corp. and Subsidiaries
(Formerly Chelsea Logistics and Holdings Corp.)
(A Subsidiary of Udenna Corporation)
Stella Hizon Reyes Road
Bo. Pampanga, Davao City

Opinion

We have audited the consolidated financial statements of Chelsea Logistics and Infrastructure Holdings Corp. and Subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the consolidated statements of profit or loss, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2020, and notes to consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020 and 2019, and its consolidated financial performance and their consolidated cash flows for each of the three years in the period ended December 31, 2020 in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audits of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 1 to the consolidated financial statements, which describes management's assessment of the continuing impact on the Group's consolidated financial statements of the business disruptions brought by the COVID-19 pandemic. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

(a) Revenue Recognition

Description of the Matter

The Group’s revenues, which is comprised significantly of freight revenues, charter fees, passage fees, rendering of services and tugboat fees, amounted to P4.7 billion for the year ended December 31, 2020.

The Group focuses on revenue as a key performance measure, which could create an incentive for management to overstate revenues. In our view, revenue recognition is a key audit matter due to its significance to profit or loss and high volume of revenue transactions. Relative to this, we consider that there is higher risk associate with revenue occurrence and recognition of revenues in the appropriate accounting period.

The Group’s disclosures on its revenue recognition policy and disaggregation of revenues are fully disclosed in Notes 2 and 26, respectively, to the consolidated financial statements.

How the Matter was Addressed in the Audit

Our audit procedures to address the risk of material misstatement relating to revenue recognition included, among others, the following:

- Updating our understanding the policies and procedures applied to revenue recognition;

- Assessing the design effectiveness of internal controls related to revenue recognition processes employed by the Group;

- Reviewing the existing contracts with customers and evaluating the appropriateness of the Group’s revenue recognition policies and application in compliance with the requirements of PFRS 15, *Revenue from Contracts with Customers*;

- Confirming trade receivables, on a sample basis, as of the end of the reporting period from rendering of services; and, performing alternative procedures such as, but not limited to, examining cash receipts, or billing invoices and vessel fixture notes;

- Examining billing invoices and vessel fixture notes immediately prior and subsequent to the current reporting period to determine whether the related revenue transactions are recognized in the proper reporting period; and,

- Performing substantive analytical review procedures over revenues such as, but not limited to, yearly and monthly analyses of revenues per vessel, per customer, and per service line, verifying validity of the underlying data used in the analyses, and following up variances from our expectations.

(b) Going Concern Assessment

Description of the Matter

The COVID-19 pandemic has disrupted the business operations of the Group in 2020, resulting in significant impact in the Group's financial performance and cash flows, and may continue to significantly affect the future operations of the Group. The Group incurred a net loss of P3.3 billion for the year ended December 31, 2020 and had a deficit of P3.4 billion as of December 31, 2020.

The consolidated financial statements have been prepared on a going concern basis. Management's assessment of the Group's ability to generate sufficient cash flows involves significant assumptions, such as forecasted revenues and costs, that are subject to high degree of estimation uncertainty, highlighted by the continuing impact of the COVID-19 pandemic, and the feasibility of the Group's recovery and response plans. As the going concern assessment is a significant aspect of our audit, we have identified this as a key audit matter.

The Group's disclosures on the going concern assessment are included in Note 1 to the consolidated financial statements.

How the Matter was Addressed in the Audit

Our audit procedures to address the risks related to the Group's ability to continue as a going concern included the following:

- Obtaining an understanding of the management's going concern assessment, taking into consideration the current business environment and the Group's recovery and response plans;

- Evaluated key assumptions used by management by reference to historical information, after consideration of the actions undertaken and planned strategies of management in relation to the Group's operating and financing activities to address the adverse impact of the COVID-19 pandemic;

- Reviewed relevant documents and agreements supporting the transactions entered into by management as of the date of the audit report in relation to the Group's recovery plans; and,

- Assessed the adequacy of the related disclosures in the notes to consolidated financial statements.

(c) Impairment of Goodwill

Description of the Matter

As of December 31, 2020, the Group's goodwill amounted to P1.8 billion. Under Philippine Accounting Standard (PAS) 36, *Impairment of Assets*, the Group is required to annually test the amount of its goodwill for impairment. We considered the impairment of goodwill as a key audit matter because the amount of goodwill is material to the consolidated financial statements. In addition, management's assessment process involves judgements, and significant assumptions about the future results of the business, and the discount rate and cash flow projections used in determining the cash-generating units over which the goodwill was allocated. The assumptions used by management are generally affected by expected future market and economic conditions.

The Group's policy on impairment assessment of goodwill is more fully described in Note 2 to the consolidated financial statements, while their corresponding carrying amounts are disclosed in Note 25 to the consolidated financial statements.

How the Matter was Addressed in the Audit

Our audit procedures to address the risk of material misstatement relating to goodwill included, among others, the following:

- Involving our own valuation specialist to assist in evaluating the appropriateness of the assumptions and methodology used by management in determining the recoverable amounts of cash-generating units;
- Evaluating the appropriateness of assumptions and methodologies used by management, in particular, those relating to the estimates of future net cash inflows and the discount rate used; and,
- Evaluating the adequacy of the financial statement disclosures, including disclosures of key assumptions and judgements.

(d) Fair Value of Vessels and Vessel Equipment under Property and Equipment

Description of the Matter

The carrying amount of the Group's vessels and vessel equipment reported under the Property and Equipment account amounted to P16.9 billion, representing 45% of the total assets of the Group. As allowed under PAS 16, *Property, Plant and Equipment*, the Group measures its vessels and vessel equipment based on a revalued amount, which represent fair market values at the date of the revaluation. Management determined the fair value based on the valuation made by independent appraisers and by management, for certain vessels, every after drydocking of vessels, which is performed once every two years.

The fair valuation of the Group's vessels was significant in our audit as the amount is material to the consolidated financial statements and the determination of fair values involves significant management assumptions and high degree of estimation uncertainty, highlighted by the continuing application of the COVID-19 pandemic.

The methods and assumptions used in determining the fair value of vessels is more fully described in Notes 3 and 29 to the consolidated financial statements, while the revalued amount of vessels and vessel equipment as at December 31, 2020 is disclosed in Note 9.

How the Matter was Addressed in the Audit

Our audit procedures to address the risk of material misstatement relating to valuation of vessels and vessel equipment included:

- Determining whether the independent appraisers engaged by the Group has the necessary professional competency, reputation, experience and objectivity;

- Involving an independent expert to assist us in evaluating the results of the work performed by the Group's independent appraisers by understanding the methodology, process and data used in determining the fair value of vessels and vessel equipment;

- Involving our own valuation specialist to assist in evaluating the appropriateness of the methodology and assumptions used by management in determining the fair value of certain vessels; and,

- Assessing the appropriateness and reasonableness of bases used in the valuation such as the vessel's certificates, operating condition of the vessel equipment, main engine, and other auxiliary machineries and equipment.

(e) Conduct of Audit Remotely

Description of the Matter

As disclosed in Note 1, the COVID-19 pandemic started to become widespread in the Philippines in early March 2020. The general community quarantine and social distancing measures implemented by the government resulted in performing a significant portion of our audit remotely.

The change in working conditions is relevant and significant to our audit since it creates an increased risk of misstatements due to less in-person access to the Group's management and personnel, and lack of access to the physical records and original documents. Given the changes in how the audit will be performed, the audit requires exercising enhanced professional skepticism.

How the Matter was Addressed in the Audit

Our audit procedures to address the risk of performing audit remotely included the following:

- Considering the nature of the engagement and the engagement team's knowledge of the entity and its environment when determining whether it is possible to perform a significant portion, if not all, of the engagement remotely;

- Following the requirements of PSA including providing proper supervision and review, even when working remotely;

- Obtaining information through electronic means, which includes sending and receiving of confirmation electronically, obtaining calculation in electronic form to check mathematical accuracy, scanning of hard-copy items for review and using real-time inspection technology such as video and screen-sharing;

- Determining the reliability of audit evidence provided electronically with professional skepticism;

- Performing inquiries through video-conferencing in order to judge body language and other cues and to have a more interactive audit engagement; and,

- Examining critical electronic copy documents (e.g., contracts, sales invoices, delivery receipts and collection receipts) in response to the risk in response to the risk in revenues and costs, which is considered to be significant.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Group's Securities and Exchange Commission Form 17-A, which we obtained prior to the date of the auditors' report, and the Group's SEC Form 20-IS (Definitive Information Statement) and Annual Report, which are expected to be made available to us after that date, for the year ended December 31, 2020, but does not include the consolidated financial statements and our auditors' report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above, and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

If, based on the work performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with PFRS, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audits resulting in this independent auditors' report is Ramilito L. Nañola.

PUNONGBAYAN & ARAULLO

By: Ramilito L. Nañola
Partner

CPA Reg. No. 0090741
TIN 109-228-427
PTR No. 8533235, January 4, 2021, Makati City
SEC Group A Accreditation
Partner - No. 0395-AR-4 (until Sept. 16, 2022)
Firm - No. 0002 (until Dec. 31, 2024)
BIR AN 08-002511-19-2020 (until Dec. 21, 2023)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Jul. 24, 2021)

April 14, 2021

CHELSEA LOGISTICS AND INFRASTRUCTURE HOLDINGS CORP. AND SUBSIDIARIES
(Formerly Chelsea Logistics Holdings Corp.)
(A Subsidiary of Udenna Corporation)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020 AND 2019
(Amounts in Philippine Pesos)

	Notes	**2020**	2019 (As Restated - see Note 2)
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4	**P 139,206,973**	P 375,228,505
Trade and other receivables - net	5	**1,586,182,618**	2,225,735,811
Financial assets at fair value through profit or loss	6	**2,266,150**	3,947,736
Inventories	7	**612,621,321**	546,803,953
Advances to related parties	21	**1,400,594,810**	814,252,135
Other current assets	8	**1,247,582,788**	1,088,657,865
Total Current Assets		**4,988,454,660**	5,054,626,005
NON-CURRENT ASSETS			
Property and equipment - net	9	**21,503,706,760**	22,839,738,297
Investments in associates and a joint venture	10	**973,227,383**	6,416,269,582
Goodwill	25	**1,848,378,146**	5,765,809,689
Post-employment benefit asset	18	**5,955,204**	7,673,898
Deferred tax assets - net	20	**154,253,854**	397,741,757
Other non-current assets - net	12	**477,459,596**	522,338,281
Total Non-current Assets		**24,962,980,943**	35,949,571,504
NON-CURRENT ASSETS HELD FOR SALE	11, 25	**7,403,196,771**	-
TOTAL ASSETS		**P 37,354,632,374**	P 41,004,197,509

	Notes	2020	2019 (As Restated - see Note 2)
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Trade and other payables	14	**P 8,427,435,314**	P 10,759,925,409
Interest-bearing loans and borrowings	13	**6,444,663,379**	6,124,500,567
Redeemable preference shares	15	**1,230,436,441**	-
Advances from related parties	21	**587,784,015**	1,114,816,666
Advances from customers	2	**63,121,704**	55,788,185
Income tax payable		**7,373,172**	22,256,833
Total Current Liabilities		**16,760,814,025**	18,077,287,660
NON-CURRENT LIABILITIES			
Interest-bearing loans and borrowings	13	**10,562,307,847**	10,182,620,625
Post-employment benefit obligation	18	**113,786,341**	56,528,581
Deferred tax liabilities - net	20	**356,683,800**	163,931,353
Other non-current liabilities		**75,233,944**	70,283,902
Total Non-current Liabilities		**11,108,011,932**	10,473,364,461
Total Liabilities		**27,868,825,957**	28,550,652,121
EQUITY			
Equity attributable to shareholders of the Company			
Capital stock	22	**1,821,977,615**	1,821,977,615
Deposits on future stock subscriptions	22	**662,596,200**	-
Additional paid-in capital	22	**9,998,370,157**	9,998,370,157
Share options outstanding	10	**16,869,063**	-
Revaluation reserves	22	**1,201,437,920**	1,777,036,051
Other reserves	22	**(1,058,033,280)**	(1,058,033,280)
Deficit		**(3,367,774,527)**	(265,805,155)
		9,275,443,148	12,273,545,388
Non-controlling interest	22	**210,363,269**	180,000,000
Total Equity		**9,485,806,417**	12,453,545,388
TOTAL LIABILITIES AND EQUITY		**P 37,354,632,374**	P 41,004,197,509

See Notes to Consolidated Financial Statements.

CHELSEA LOGISTICS AND INFRASTRUCTURE HOLDINGS CORP. AND SUBSIDIARIES
(Formerly Chelsea Logistics Holdings Corp.)
(A Subsidiary of Udenna Corporation)
CONSOLIDATED STATEMENTS OF PROFIT OR LOSS
FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018
(Amounts in Philippine Pesos)

	Notes	2020	2019 (As Restated - see Note 2)	2018 (As Restated - see Note 2)
REVENUES	26			
Freight		**P 2,096,912,751**	P 2,687,530,467	P 1,855,561,130
Charter fees	21	**1,094,621,985**	1,889,509,748	1,721,642,369
Passage		**500,941,882**	1,423,269,213	969,290,258
Other service revenues		**483,361,560**	660,478,934	377,620,815
Tugboat fees		**350,602,251**	338,321,437	333,938,349
Sale of goods		**82,597,614**	127,599,231	36,643,669
Standby charges	21	**69,881,320**	93,507,012	24,015,822
		4,678,919,363	7,220,216,042	5,318,712,412
COST OF SALES AND SERVICES	16	**5,298,054,723**	5,589,219,338	3,829,543,005
OTHER OPERATING EXPENSES	17	**1,041,857,296**	996,171,610	900,510,203
EXPECTED CREDIT LOSSES ON RECEIVABLES	5	**761,569,714**	-	-
OPERATING PROFIT (LOSS)		**(2,422,562,370)**	634,825,094	588,659,204
OTHER INCOME (CHARGES) - Net				
Finance costs	19	**(1,302,488,868)**	(1,226,043,366)	(835,388,144)
Gain on bargain purchase	25	**1,184,509,480**	-	4,370,340
Share in net loss of associates	10	**(1,046,368,576)**	(483,155,985)	(453,048,188)
Gain on sale of an associate	10	**983,615,152**	-	-
Loss on remeasurement of investment	12, 25	**(333,347,312)**	-	-
Loss on debt modification	13	**(86,612,580)**	-	-
Finance income	19	**23,377,557**	24,756,404	6,553,683
Other income	19	**98,328,959**	77,117,951	66,723,527
		(478,986,188)	(1,607,324,996)	(1,210,788,782)
LOSS BEFORE TAX		**(2,901,548,558)**	(972,499,902)	(622,129,578)
TAX EXPENSE (INCOME)	20	**409,401,046**	(140,738,902)	(71,596,622)
NET LOSS		**(P 3,310,949,604)**	(P 831,761,000)	(P 550,532,956)
Loss Per Share (Basic and Diluted)	23	**(P 1.817)**	(P 0.457)	(P 0.302)

See Notes to Consolidated Financial Statements.

CHELSEA LOGISTICS AND INFRASTRUCTURE HOLDINGS CORP. AND SUBSIDIARIES
(Formerly Chelsea Logistics Holdings Corp.)
(A Subsidiary of Udenna Corporation)
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018
(Amounts in Philippine Pesos)

	Notes	2020	2019	2018
NET LOSS		**(P 3,310,949,604)**	(P 831,761,000)	(P 550,532,956)
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Revaluation of vessels	9	**(297,170,375)**	632,951,901	167,829,312
Remeasurement of post-employment benefit obligation	21	**(22,739,222)**	(9,799,526)	27,358,603
Share in the remeasurement losses on post-employment benefit obligation of an associate	10	**-**	(26,478,210)	-
Tax income	20	**(46,862,608)**	(159,150,294)	(58,556,375)
		(366,772,205)	437,523,871	136,631,540
Items that will be reclassified subsequently to profit or loss:				
Currency exchange differences on translating financial statements of foreign operations	2	**154,306**	(715,045)	1,466,209
Other Comprehensive Income (Loss) - net of tax		**(366,617,899)**	436,808,826	138,097,749
TOTAL COMPREHENSIVE LOSS		**(P 3,677,567,503)**	(P 394,952,174)	(P 412,435,207)

See Notes to Consolidated Financial Statements.

CHELSEA LOGISTICS AND INFRASTRUCTURE HOLDINGS CORP. AND SUBSIDIARIES
(Formerly Chelsea Logistics Holdings Corp.)
(A Subsidiary of Udenna Corporation)
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018
(Amounts in Philippine Pesos)

		Attributable to Owners of the Parent Company									
	Notes	Capital Stock	Deposits on Future Stock Subscriptions	Additional Paid-in Capital	Share Options Outstanding	Revaluation Reserves	Other Reserves	Retained Earnings (Deficit)	Total	Non-controlling Interest	Total Equity
Balance at January 1, 2020		P 1,821,977,615	P -	P 9,998,370,157	P -	P 1,777,036,051	(P 1,058,033,280)	(P 265,805,155)	P 12,273,545,388	P 180,000,000	P 12,453,545,388
Deposits received on future stock subscriptions	22	-	662,596,200	-	-	-	-	-	662,596,200	-	662,596,200
Additions from acquired subsidiary	25	-	-	-	-	-	-	-	-	30,363,269	30,363,269
Total comprehensive loss for the year											
Net loss		-	-	-	-	-	-	(3,310,949,604)	(3,310,949,604)	-	(3,310,949,604)
Other comprehensive loss		-	-	-	-	(366,617,899)	-	-	(366,617,899)	-	(366,617,899)
Share based compensation	22	-	-	-	16,869,063	-	-	-	16,869,063	-	16,869,063
Transfer of revaluation reserves from share in OCI of an associate	22	-	-	-	-	(81,571,397)	-	81,571,397	-	-	-
Transfer of revaluation reserves through depreciation, net of tax	22	-	-	-	-	(127,408,835)	-	127,408,835	-	-	-
Balance at December 31, 2020	22	**P 1,821,977,615**	**P 662,596,200**	**P 9,998,370,157**	**P 16,869,063**	**P 1,201,437,920**	**(P 1,058,033,280)**	**(P 3,367,774,527)**	**P 9,275,443,148**	**P 210,363,269**	**P 9,485,806,417**
Balance at January 1, 2019, after adoption of PFRS 16		P 1,821,977,615	P -	P 9,998,370,157	P -	P 1,497,869,655	(P 1,058,033,280)	P 468,579,210	P 12,728,763,357	P 180,000,000	P 12,908,763,357
Total comprehensive loss for the year											
Net loss		-	-	-	-	-	-	(831,761,000)	(831,761,000)	-	(831,761,000)
Other comprehensive income		-	-	-	-	436,808,826	-	-	436,808,826	-	436,808,826
Share in stock issuance costs of an associate	10	-	-	-	-	-	-	(60,265,795)	(60,265,795)	-	(60,265,795)
Transfer of revaluation reserves through depreciation, net of tax	22	-	-	-	-	(157,642,430)	-	157,642,430	-	-	-
Balance at December 31, 2019	22	P 1,821,977,615	P -	P 9,998,370,157	P -	P 1,777,036,051	(P 1,058,033,280)	(P 265,805,155)	P 12,273,545,388	P 180,000,000	P 12,453,545,388
Balance at January 1, 2018		P 1,821,977,615	P -	P 9,998,370,157	P -	P 1,429,917,004	(P 1,058,033,280)	P 965,156,916	P 13,157,388,412	P -	P 13,157,388,412
Issuance of preferred shares by a subsidiary	22	-	-	-	-	-	-	-	-	180,000,000	180,000,000
Total comprehensive loss for the year											
Net loss		-	-	-	-	-	-	(550,532,956)	(550,532,956)	-	(550,532,956)
Other comprehensive income		-	-	-	-	138,097,749	-	-	138,097,749	-	138,097,749
Transfer of revaluation reserves through depreciation, net of tax		-	-	-	-	(70,145,098)	-	70,145,098	-	-	-
Balance at December 31, 2018		P 1,821,977,615	P -	P 9,998,370,157	P -	P 1,497,869,655	(P 1,058,033,280)	P 484,769,058	P 12,744,953,205	P 180,000,000	P 12,924,953,205

See Notes to Consolidated Financial Statements.

CHELSEA LOGISTICS AND INFRASTRUCTURE HOLDINGS CORP. AND SUBSIDIARIES
(Formerly Chelsea Logistics Holdings Corp.)
(A Subsidiary of Udenna Corporation)
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018
(Amounts in Philippine Pesos)

	Notes	2020	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss before tax		**(P 2,901,548,558)**	(P 972,499,902)	(P 622,129,578)
Adjustments for:				
Depreciation and amortization	9, 12	**1,675,721,855**	1,272,582,798	868,058,074
Gain on bargain purchase	25	**(1,184,509,480)**	-	(4,370,340)
Interest expense	19	**1,300,967,463**	1,223,993,922	776,933,861
Share in net loss of associates	10	**1,046,368,576**	483,155,985	453,048,188
Gain on sale of an associate	10	**(983,615,152)**	-	-
Loss on remeasurement of previously-held interest	25	**333,347,312**	-	-
Loss on debt modification	13	**86,612,580**	-	-
Impairment losses on property and equipment	9	**70,755,801**	7,394,742	-
Gain on sale of property and equipment	19	**(50,038,745)**	(30,909,664)	(1,326,971)
Gain on retirement on property and equipment	9	**(23,863,984)**	-	-
Interest income	19	**(497,226)**	(3,209,084)	(3,626,087)
Unrealized foreign currency exchange gains - net	19	**-**	(9,240,000)	(23,242,597)
Reversal of impairment losses on property and equipment		**-**	(2,214,620)	-
Operating profit before working capital changes		**(630,299,558)**	1,969,054,177	1,443,344,550
Decrease (increase) in trade and other receivables		**747,606,386**	(789,456,419)	(526,784,036)
Decrease in financial assets at fair value through profit or loss		**1,681,586**	-	-
Increase in inventories		**(65,817,368)**	(10,503,833)	(337,889,509)
Decrease (increase) in advances to related parties		**(314,467,708)**	2,313,303,074	(639,120,416)
Increase in other current assets		**(159,957,247)**	(104,009,655)	(605,136,157)
Decrease (increase) in post-employment benefit asset		**1,718,694**	4,626,812	(4,110,656)
Decrease (increase) in other non-current assets		**41,923,349**	(22,918,855)	752,790,446
Increase in trade and other payables		**990,466,524**	6,401,485,289	1,950,778,836
Decrease in advances from customers		**7,333,519**	41,303,852	-
Increase in post-employment benefit obligation		**34,518,538**	11,566,680	25,932,098
Increase (decrease) in other non-current liabilities		**4,950,042**	11,491,528	(7,454,424)
Cash generated from operations		**659,656,757**	9,825,942,650	2,052,350,732
Interest received		**497,226**	3,209,084	3,626,087
Cash paid for income taxes		**(12,666,078)**	(23,364,384)	(63,428,617)
Net Cash From Operating Activities		**647,487,905**	9,805,787,350	1,992,548,202
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from disposal of property and equipment	9	**492,333,802**	64,887,231	201,169,131
Acquisitions of property and equipment	9	**(219,072,100)**	(3,812,414,640)	(5,789,604,581)
Additional investment in a subsidiary and a joint venture	10, 22	**(219,609)**	(5,165,000,739)	(110,089,751)
Net Cash From (Used in) Investing Activities		**273,042,093**	(8,912,528,148)	(5,698,525,201)
Balance carried forward		**P 920,529,998**	P 893,259,202	(P 3,705,976,999)

	Notes	2020	2019	2018
Balance brought forward		**P 920,529,998**	P 893,259,202	(P 3,705,976,999)
CASH FLOWS FROM FINANCING ACTIVITIES				
Interest paid		**(1,057,077,426)**	(1,166,580,151)	(719,520,091)
Repayments of interest-bearing loans and borrowings	13	**(771,406,165)**	(3,307,245,190)	(1,281,746,979)
Proceeds from deposits for future stock subscriptions	22	**662,596,200**	-	-
Proceeds from interest-bearing loans and borrowings	13	**275,667,888**	2,393,163,353	5,698,373,875
Repayments of advances from related parties	21	**(266,615,985)**	(35,203,829)	(1,039,877,313)
Proceeds from advances from related parties	21	**-**	1,113,921,827	35,203,829
Net Cash From (Used In) Financing Activities		**(1,156,835,488)**	(1,001,943,990)	2,692,433,321
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(236,305,490)**	(108,684,788)	(1,013,543,678)
CASH AND CASH EQUIVALENTS FROM ACQUIRED SUBSIDIARIES	25	**283,958**	40,417,324	15,335,457
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**375,228,505**	443,495,969	1,441,704,190
CASH AND CASH EQUIVALENTS AT END OF YEAR		**P 139,206,973**	P 375,228,505	P 443,495,969

Supplemental Information on Non-cash Activities is disclosed in Note 31.

See Notes to Consolidated Financial Statements.

CHELSEA LOGISTICS AND INFRASTRUCTURE HOLDINGS CORP. AND SUBSIDIARIES
(Formerly Chelsea Logistics Holdings Corp.)
(A Subsidiary of Udenna Corporation)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019
(Amounts in Philippine Pesos)

1. CORPORATE INFORMATION

1.1 Information and Operations

Chelsea Logistics and Infrastructure Holdings Corp. (CLC or the Company) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) as Chelsea Shipping Group Corp. on August 26, 2016 primarily to subscribe for, invest and re-invest in, purchase, or otherwise acquire, own, hold, use, sell, assign, transfer, mortgage, pledge, exchange, deal in and hold investment or otherwise, any and all properties of every kind and description and wherever situated, including but not limited to shares of stocks, bonds, debentures, notes, evidences of indebtedness, promissory notes, or other securities or obligations, created, negotiated or issued by any corporation, association, or other entity, including, but not limited to, securities in corporations engaged in shipping and logistics.

On August 8, 2017, the shares of stock of the Company were listed at the Philippine Stock Exchange (PSE).

On November 12, 2018, the Company's BOD approved the change in the corporate name of the Company from Chelsea Logistics Holdings Corp. to Chelsea Logistics and Infrastructure Holdings Corp. This was subsequently ratified by the Company's stockholders on March 15, 2019 and approved by the SEC on May 7, 2019.

The Company is 70% owned by Udenna Corporation (Udenna), a company primarily organized to purchase, acquire, take over and manage all or any part of the rights, assets, business and property; undertake and assume the liabilities of any person, firm, association, partnership, syndicate of corporation; and to engage in the distribution, selling, importation, installation of pollution control devices, units and services, and all other pollution control related products and emission test servicing.

The registered office of the Company and Udenna, which is also their principal place of business, is located at Stella Hizon Reyes Road, Bo. Pampanga, Davao City.

1.2 Subsidiaries, Associates and their Operations

As of December 31, 2020 and 2019, the Company holds ownership interests in the following subsidiaries and associates:

Company Name	Explanatory Notes	Percentage of Ownership 2020	2019
Subsidiaries through direct interest:			
Chelsea Shipping Corp. (CSC)	*(a)*	**100%**	100%
Trans-Asia Shipping Lines, Incorporated (Trans-Asia)	*(b)*	**100%**	100%
Udenna Investments B. V. (UIBV)	*(c)*	**100%**	100%
Starlite Ferries, Inc. (Starlite)	*(d)*	**100%**	100%
Worklink Services, Inc. (WSI)	*(e)*	**100%**	100%
TASLI Services, Incorporated (TSI)	*(f)*	**100%**	100%
The Supercat Fast Ferry Corporation (SFFC)	*(g)*	**100%**	100%
Subsidiaries through indirect interest:			
Bunkers Manila, Inc. (BMI)[1]	*(h)*	**100%**	100%
Michael, Inc. (MI)[1]	*(i)*	**100%**	100%
PNX-Chelsea Shipping Corp. (PNX-Chelsea)[1]	*(j)*	**100%**	100%
Chelsea Ship Management & Marine Services Corp. (CSMMSC)[1]	*(k)*	**100%**	100%
Fortis Tugs Corporation (FTC)[1]	*(l)*	**100%**	100%
Davao Gulf Marine Services, Inc. (DGMSI)[2]	*(l)*	**100%**	100%
Chelsea Marine Manpower Resources, Inc. (CMMRI)[1]	*(m)*	**100%**	100%
Chelsea Dockyard Corporation (CDC)[1]	*(n)*	**100%**	100%
CD Ship Management and Marine Services Corp. (CDSMMSC)[1]	*(o)*	**100%**	100%
Chelsea Shipping and Logistics Singapore Pte. Ltd. (CSLSP)[1]	*(p)*	**100%**	100%
Quality Metals & Shipworks, Inc. (QMSI)[3]	*(q)*	**100%**	100%
Oceanstar Shipping, Inc. (Oceanstar)[3]	*(r)*	**100%**	100%
Dynamic Cuisine, Inc. (DCI)[3]	*(s)*	**100%**	100%
Starsy Shoppe, Inc. (SSI)[3]	*(t)*	**100%**	100%
Star Maritima Port and Allied Services (Star Maritima)[3]	*(u)*	**100%**	100%
Starbites Food Services Corp. (Starbites)[4]	*(v)*	**100%**	100%
Starlite Gallant Ferries, Inc. (SGFI)[4]	*(d)*	**100%**	100%
Starlite Premiere Ferries, Inc. (SPFI)[4]	*(d)*	**100%**	100%
Big Hub Transport and Logistics Corp. (Big Hub)[3]	*(w)*	**100%**	100%
KGLI-NM Holdings, Inc. (KGLI-NM)[5]	*(x)*	**90%**	-

Company Name	Explanatory Notes	Percentage of Ownership 2020	2019
Associates:			
KGLI-NM Holdings, Inc. (KGLI-NM) [5]	*(x)*	-	40%
Dito Telecommunity Corporation (Dito)	*(y)*	-	25%
Dito Holdings Corporation (DHC)	*(z)*	**10.54%**	41.67%

[1]Wholly owned subsidiary of CSC
[2]Wholly owned subsidiary of FTC
[3]Wholly owned subsidiary of Trans-Asia
[4]Wholly owned subsidiary of Starlite
[5]50.37% owned by CLC and 39.71% owned by UIBV, based on voting rights

Except for UIBV and CSLSP, which were organized and incorporated in the Netherlands and Singapore, respectively, all the subsidiaries and associates were organized and incorporated in the Philippines.

(a) Incorporated on July 17, 2006 and is engaged in the business of maritime trade in the conveyance or carriage of petroleum products, goods, wares and merchandise of every kind, over domestic and international oceans, seas, lakes, rivers, canals, harbours, and other waterways in the Philippines. CSC was acquired by the Company from P-H-O-E-N-I-X Petroleum Philippines, Inc. (PPPI) on November 24, 2016.

(b) Incorporated on March 25, 1974 and is engaged in the transport of passengers and cargoes within Philippine territorial waters and/or in the high seas. Trans-Asia was acquired on December 12, 2016.

(c) Incorporated on August 25, 1994 under the laws of the Netherlands, having its corporate seat in Amsterdam, and is incorporated to participate in, to administer, to finance, to conduct the management of and to render advice and services to other companies and enterprises. UIBV is formerly known as KGL Investment B.V, a private company with limited liability.

UIBV owns 80% economic interest and 39.71% of the voting rights in KGLI-NM, which holds 28.18% economic interest in 2GO Group, Inc. (2GO).

(d) Incorporated on August 25, 1994 and is primarily engaged in general business of domestic shipping, to own and operate vessels of any class, type of description for domestic trade, to charter in and out any such vessel. SFI was acquired on November 9, 2017.

On August 10 and October 22, 2018, Starlite acquired all of the outstanding shares of stock of SGFI and SPFI, respectively. Both companies are primarily engaged in the general business of domestic shipping; to own and operate vessel of any class, type or description for domestic trade; and, to charter in and out any vessel.

(e) Incorporated on June 2, 1994 and is engaged in logistics services such as but not limited to cargo freight forwarding (air, land and sea), cargo consolidation, courier services, distribution, trucking, warehousing, customs brokerage, packing and crafting, etc. WSI was acquired on November 8, 2017.

(f) Incorporated on September 2, 2019 and is primarily engaged in shipping agency business and maritime operation and services.

(g) Incorporated in June 20, 2001 and is primarily engaged in domestic shipping business - transporting both passenger and cargoes, to own, operate, and charter vessels of any class or type, and to own, control, construct and operate passenger terminals. On October 9, 2019, the Company acquired all of the outstanding shares of SFFC from 2GO.

(h) Incorporated on March 7, 2000 and is established to serve the growing demand of marine fuel (bunker) of foreign vessels calling on the ports of the Philippines and hauling of marine fuel and petroleum products for major oil companies.

(i) Incorporated on December 26, 1957 and is engaged in the business of acquiring and operating floating equipment for charter or hire and for the conveyance and carriage of goods, wares, and merchandise of every description in the Philippines coastwise traffic without any fixed schedule.

(j) Incorporated on February 2, 2011 and is engaged in the ownership and operation of vessels for domestic trade for the purpose of conveyance or carriage of petroleum products, goods, wares and merchandise of every kind and description.

(k) Incorporated on March 30, 2012 and is engaged in the business of ship management and to act as agent, broker, ship handler or representative of foreign/domestic shipping corporations and individuals for the purpose of managing, operating, supervising, administering and developing the operation of vessels.

(l) Incorporated on April 8, 2013 and is engaged in the towage and salvage of marine vessels and other crafts including their cargoes upon seas, lakes, rivers, canals, bays, harbours, and other waterways between the various ports of the Philippines.

On December 15, 2016, FTC acquired 100% of the outstanding capital stock of DGMSI, a Davao-based tug service provider. DGMSI is engaged in, operates, conducts, and provides tug and marine services to all vessels, foreign or coastwise that dock and undock in the District Port of Davao and all other ports in the Philippines.

(m) Incorporated on June 9, 2016 and is primarily engaged in the business of providing full and partial crewing for domestic and foreign vessels, to act as the authorized representative and crew manager of shipping companies, and to provide allied maritime services for said vessels and companies.

(n) Incorporated on January 8, 2018 and is engaged in the general business of building and repair of ships, boats and other kinds of vessels as well as in ship breaking activities. As of December 31, 2020, CDC has not yet started commercial operations.

(o) Incorporated on March 14, 2018 to primarily engage in the business of ship management and to act as agent, broker, ship chandler or representative of foreign/domestic shipping corporations and individuals for the purpose of managing, operating, supervising, administering and developing the operation of vessels.

(p) Incorporated and domiciled in the Republic of Singapore and is primarily engaged in the business and management consultancy services. CSLSP has not yet started commercial operations as of December 31, 2020.

(q) Incorporated on November 28, 2007 and is engaged in machining and mechanical works on ship machineries and industrial plants.

(r) Incorporated on July 6, 2006 primarily to engage in the business of domestic shipping for the transportation of passengers and cargoes with territorial waters and/or in the high seas and is presently engaged in the charter or lease of maritime vessels.

(s) Incorporated on June 21, 2000 primarily to establish and maintain restaurant, coffee shops, refreshment parlors, cocktail lounges and cater goods, drinks, refreshments and other food commonly served in such establishments.

(t) Incorporated on December 31, 2005 and is engaged in the purchase of all kinds of food and beverage products and merchandise, except rice and corn, locally and/or through importation for purposes of selling the same on retail or wholesale, either local and/or through importation.

(u) Incorporated on October 11, 2018 and is primarily engaged in arrastre services. As of December 31, 2020, Star Maritima has not yet started commercial operations.

(v) Incorporated on June 27, 2018 and is engaged to purchase all kinds of food and beverage products and merchandise, except rice and corn, locally and/or through importation, for purposes of selling the same on retail or wholesale locally.

(w) Incorporated on November 14, 2018 and is primarily engaged to act as cargo consolidator, to engage in the business of transporting by land natural persons and/or their baggages, cargo, goods merchandise or effects, and to own, lease or charter, offer for lease or charter or operate land vehicles such as, but not limited to buses, cars, jeeps or vans.

(x) Organized under Philippines laws and registered with SEC on August 8, 2008 as an investment holding company.

On May 11, 2020, the Company acquired the Preferred C Shares of KGLI-NM representing 20% of the outstanding common stock and 50.37% of the voting rights of KGLI-NM.

(y) Incorporated on September 25, 1997 and is primarily engaged to establish, maintain and operate commercial telephone and telecommunications systems. On June 27, 2019, CLC subscribed to 25% of the outstanding capital stock of Dito. Dito has not yet started commercial operations as of December 31, 2020.

On November 11, 2020, the Company assigned and transferred all its subscription in Dito to DHC for a total consideration of P532.3 million, with the latter assuming the Company's unpaid subscription.

(z) Incorporated on November 4, 2019 and is primarily engaged to acquire, hold, sell, exchange, deal and invest in real or personal property of all kinds, including stocks, bonds, or securities of any public or private corporation, including any government or any subdivision thereof, in the same manner and to the extent as a natural person might, could, or would do, to exercise all the rights, powers, and privileges of ownership, including the right to vote therein, or consent in respect thereof, for any and all purposes, without however managing securities, portfolio, or funds of the managed entity or firm, nor shall the corporation act as a stock dealer in securities or broker, nor engage in investment solicitation nor take investments from the public sector. The Company initially subscribed to 41.67% ownership interest in DHC on November 4, 2019. DHC has not yet started commercial operations as of December 31, 2020.

In 2020, the Company's ownership interest in DHC was diluted to 10.54% upon subscription of Udenna Communications Media and Entertainment Holdings Corporation (Udenna CME), a related party with common ownership, of additional P7.4 billion in DHC. Such dilution did not result in cessation of significant influence of the Company over DHC.

CLC together with CSC, Trans-Asia, UIBV, Starlite, WSI, TSI, SFFC, KGLI-NM and their respective subsidiaries are collectively referred herein as the Group.

1.3 Impact of Covid-19 Pandemic on the Group's Businesses

The COVID-19 pandemic started to become widespread in the Philippines in early March 2020. The measures taken by the government to contain the virus have affected economic conditions and the Group's business operations.

The following are the significant impact of the COVID-19 pandemic on the Group's business:

- travel restrictions imposed by the government limited business operations in all operating sites of the Group. Restricted mobility reduced passenger movement, which affected the passage business significantly. Although transportation and essential goods were allowed, cargo volume dropped considerably in the first two and a half months of the Enhanced Community Quarantine (ECQ). These resulted to implementation of flexible work arrangements for the Group's employees;
- deterioration in collectability of trade receivables; hence, the Group recognized expected credit losses of P761.6 million (see Note 5);
- additional administrative expenses were incurred to ensure health and safety of its employees and customers such as the frequent disinfection of facilities and COVID-19 testing for its employees; and,
- decline in total revenues in 2020 by 35% compared to that of 2019 and incurrence of P3.3 billion net loss in 2020.

In response to the foregoing, the Group has taken the following actions:

- management continues to assess and manage risks and other potential adverse impact of the pandemic in the continuity of the Group's businesses;
- monitoring developments in market and government directives. Gradual lifting of restrictions in the second half of 2020 showed increasing activities and revenue for the Group, although still far from its pre-pandemic operating results;
- negotiated for longer payment terms with suppliers and implemented cost containment measures;
- refinancing and restructuring of debt service in accordance with Republic Acts (RA) No. 11469 and 11494 (otherwise known as *Bayanihan to Heal as One Act and Bayanihan to Recover as One Act)* to manage the Group's cash flows (see Note 13);
- deferral of implementation of planned projects and other capital expenditures, and managing drydocking costs to control Group's available funds;
- sold its investment in an associate and executed planned sale of equity stake in 2GO (see Notes 11 and 25);
- disposal of or planned disposal of certain non-performing and underperforming assets (see Note 11); and,
- obtained additional capital infusion from existing stockholders and other investors through deposits on future stock subscriptions amounting to P662.6 million (see Note 22.1).

Based on the above actions and measures taken by management to mitigate the adverse effects of the pandemic, it projects that the Group would be able to recover from its financial and operational risks and impact. Accordingly, management has not determined material uncertainty that may cast doubt on the Group's ability to continue as a going concern.

1.4 Approval of Consolidated Financial Statements

The consolidated financial statements of the Group as of and for the year ended December 31, 2020 (including the comparative consolidated financial statements as of December 31, 2019 and for the years ended December 31, 2019 and 2018) were authorized for issue by the Company's BOD on April 14, 2021.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarized below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

2.1 Basis of Preparation of Consolidated Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board and approved by the Philippine Board of Accountancy.

The consolidated financial statements have been prepared using the measurement bases specified by PFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies that follow.

(b) Presentation of Consolidated Financial Statements

The consolidated financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*. The Group presents consolidated statement of comprehensive income separate from the consolidated statement of profit or loss.

The Group presents a third consolidated statement of financial position as at the beginning of the preceding period when it applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items that has a material effect on the information in the statement of financial position at the beginning of the preceding period. The related notes to the third consolidated statement of financial position are not required to be disclosed. The Group presented only one comparative period as none of these situations are applicable [see Note 2.1(c)].

(c) Prior Period Reclassifications and Restatements

On October 9, 2019, the Company acquired 100% ownership interest in SFFC for a total consideration of P650.0 million. SFFC is engaged in the shipping industry, particularly as a passenger/ROPAX operating entity.

As of December 31, 2019, the accounting for the acquisition of SFFC was not yet complete. The fair values of assets acquired and liabilities assumed presented in the 2019 consolidated financial statements were provisionally determined, pending the finalization of necessary information and documentation to complete the market valuations. As permitted under PFRS 3, *Businesss Combinations*, the Group determined the final fair values of identifiable assets and liabilities within 12 months from the acquisition date [see Note 25(b)].

In 2020, management completed the assessment of the fair values of SFFC's net assets and determined adjustments resulting in P52.7 million decrease in its net assets valuation. The adjustments to the provisionary amounts likewise resulted in a goodwill amounting to P124.4 million, decline in fair value of property and equipment of P75.3 million and recognition of deferred tax assets of P22.6 million. The 2019 consolidated statement of financial position was restated to reflect the final fair value measurement of the net assets of SFFC.

The provisional and final fair values of assets acquired and liabilities assumed from SFFC as at the date of acquisition is presented below.

	Final fair value	Provisional fair value
Fair value of assets acquired:		
Cash and cash equivalents	**P 40,417,324**	P 40,417,324
Trade and other receivables	**6,233,897**	6,233,897
Inventories	**10,395,342**	10,395,342
Other current assets	**28,545,381**	28,545,381
Property and equipment	**904,341,940**	979,609,198
Other non-current assets	**58,861,116**	58,861,116
Deferred tax assets	**22,580,177**	-
	1,071,375,177	1,124,062,258
Fair value of liabilities assumed:		
Trade and other payables	**(160,009,581)**	(160,009,581)
Interest-bearing loans	**(385,740,741)**	(385,740,741)
	(545,750,322)	(545,750,322)
Fair value of net assets acquired	**525,624,855**	578,311,936
Total consideration transferred	**650,000,000**	650,000,000
Goodwill on acquisition	**P 124,375,145**	P 71,688,064

Acquired trade and other receivables mainly pertains to trade receivables from passage revenue. There were no contingent consideration arising from the foregoing transaction. Also, acquisition-related costs were deemed immaterial on this transaction.

The effects of the restatements on the consolidated statement of financial position as of December 31, 2019 are summarized as follows:

	As Previously Reported	Reclassification/ Restatement	As Restated
Changes in Assets			
Non-current assets			
Property and equipment - net	P 22,915,005,555	(P 75,267,258)	P 22,839,738,297
Goodwill	5,713,122,608	52,687,081	5,765,809,689
Deferred tax assets	375,161,580	22,580,177	397,741,757
		P -	

Also in 2020, the Group assessed that its revenues from handling and trucking, previously presented (net of direct costs) as part of Other income under Other Income (Charges) section, should be included as part of Freight revenue under the Revenues section, with such direct costs presented under Cost of Sales and Services section. Such reclassification was made as management believes that the presentation will provide more reliable and relevant information to the users of the consolidated financial statements. Accordingly, the Group restated its 2019 and 2018 consolidated statements of profit or loss in accordance with PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors.*

The effect of the restatement on the consolidated statements of profit or loss for the year ended December 31, 2019 and 2018 is shown below.

	2019		
	As previously Reported	Reclassification	As Restated
Freight (under Revenues)	P 2,440,858,768	P 246,671,699	P 2,687,530,467
Cost of Sales and Services	5,422,776,475	166,442,863	5,589,219,338
Other Income [under Other Income (Charges) - net]	157,346,787	(80,228,836)	77,117,951
		P -	

	2018		
	As previously Reported	Reclassification	As Restated
Freight (under Revenues)	P 1,708,880,761	P 146,680,369	P 1,855,561,130
Cost of Sales and Services	3,754,741,525	74,801,480	3,829,543,005
Other Income [under Other Income (Charges) - net]	138,602,416	(71,878,889)	66,723,527
		P -	

The restatements and reclassifications had no material impact on the Group's 2019 and 2018 consolidated statement of changes in equity and consolidated statement of cash flows and did not affect the consolidated statement of financial position as at January 1, 2019; hence, was no longer presented.

(d) Functional and Presentation Currency

These consolidated financial statements are presented in Philippine pesos, the functional and presentation currency of the Company, and all values represent absolute amounts except when otherwise indicated.

Items included in the consolidated financial statements of the Group are measured using the Company's functional currency. Functional currency is the currency of the primary economic environment in which the Group operates.

2.2 Adoption of New and Amended PFRS

(a) Effective in 2020 that are Relevant to the Group

The Group adopted for the first time the following pronouncements, which are mandatorily effective for annual periods beginning on or after January 1, 2020:

Conceptual Framework	:	Revised Conceptual Framework for Financial Reporting
PAS 1 and PAS 8 (Amendments)	:	Presentation of Financial Statements and Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material
PFRS 3 (Amendments)	:	Business Combinations – Definition of a Business
PFRS 7 and PFRS 9 (Amendments)	:	Financial Instruments: Disclosures and Financial Instruments – Interest Rate Benchmark Reform

Discussed below are the relevant information about these pronouncements.

(i) *Revised Conceptual Framework for Financial Reporting*. The revised conceptual framework will be used in standard-setting decisions with immediate effect. Key changes include (a) increasing the prominence of stewardship in the objective of financial reporting, (b) reinstating prudence as a component of neutrality, (c) defining a reporting entity, which may be a legal entity, or a portion of an entity, (d) revising the definitions of an asset and a liability, (e) removing the probability threshold for recognition and adding guidance on derecognition, (f) adding guidance on different measurement basis, and, (g) stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements. The application of the revised conceptual framework had no significant impact on the Group's consolidated financial statements.

(ii) PAS 1 (Amendments), *Presentation of Financial Statements,* and PAS 8 (Amendments), *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*. The amendments provide a clearer definition of 'material' in PAS 1 by including the concept of 'obscuring' material information with immaterial information as part of the new definition, and clarifying the assessment threshold (i.e., misstatement of information is material if it could reasonably be expected to influence decisions made by primary users, which consider the characteristic of those users as well as the entity's own circumstances). The definition of material in PAS 8 has been accordingly replaced by reference to the new definition in PAS 1. In addition, amendments have also been made in other standards that contain definition of material or refer to the term 'material' to ensure consistency. The application of these amendments had no significant impact on the Group's consolidated financial statements.

(iii) PFRS 3 (Amendments), *Business Combinations – Definition of a Business.* The amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs. The definition of the term 'outputs' is amended to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. The application of these amendments had no significant impact on the Group's consolidated financial statements.

(iv) PFRS 7 (Amendments), *Financial Instruments: Disclosures,* and PFRS 9 (Amendments), *Financial Instruments – Interest Rate Benchmark Reform*. The amendments clarify that an entity would continue to apply certain hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform. The application of these amendments had no significant impact on the Group's consolidated financial statements.

(b) Effective Subsequent to 2020 but not Adopted Early

There are amendments and improvements to existing standards effective for annual periods subsequent to 2020, which are adopted by the FRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have significant impact on the Group's consolidated financial statements.

(i) PFRS 16 (Amendments), *Leases – COVID-19-Related Rent Concessions* (effective from June 30, 2020). The amendments permit lessees, as a practical expedient, not to assess whether particular rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and instead to account for those rent concessions as if they are not lease modifications. The amendments do not affect accounting for lessors.

(ii) PFRS 3 (Amendments), *Business Combination – Reference to the Conceptual Framework* (effective from January 1, 2022). The amendments update an outdated reference to the Conceptual Framework in PFRS 3 without significantly changing the requirements in the standard.

(iii) PAS 16 (Amendments), *Property, Plant and Equipment – Proceeds Before Intended Use* (effective from January 1, 2022). The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.

(iv) PAS 37 (Amendments), *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract* (effective January 1, 2022). The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labor, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

(v) PAS 1 (Amendments), *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current* (effective January 1, 2023). The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

(vi) PFRS 10 (Amendments), *Consolidated Financial Statements*, and PAS 28 (Amendments), *Investments in Associates and Joint Ventures – Sale or Contribution of Assets Between an Investor and its Associates or Joint Venture* (effective date deferred indefinitely). The amendments to PFRS 10 require full recognition in the investor's financial statements of gains or losses arising on the sale or contribution of assets that constitute a business as defined in PFRS 3 between an investor and its associate or joint venture. Accordingly, the partial recognition of gains or losses (i.e., to the extent of the unrelated investor's interests in an associate or joint venture) only applies to those sale of contribution of assets that do not constitute a business. Corresponding amendments have been made to PAS 28 to reflect these changes. In addition, PAS 28 has been amended to clarify that when determining whether assets that are sold or contributed constitute a business, an entity shall consider whether the sale or contribution of those assets is part of multiple arrangements that should be accounted for as a single transaction.

(vii) Annual Improvements to PFRS 2018-2020 Cycle. Among the improvements, the following amendments, which are effective from January 1, 2022, are relevant to the Group:

a. PFRS 9 (Amendments), *Financial Instruments – Fees in the '10 per cent' Test for Derecognition of Liabilities.* The improvements clarify the fees that a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

b. Illustrative Examples Accompanying PFRS 16, *Leases – Lease Incentives*. The improvements merely removes from the example the illustration of the reimbursement of leasehold improvements by lessor in order to resolve any potential confusion regarding the treatment of lease incentives.

2.3 Basis of Consolidation

The Group's consolidated financial statements comprise the accounts of the Company and its subsidiaries as enumerated in Note 1.2, after the elimination of intercompany transactions. All intercompany assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities under the Group are eliminated in full on consolidation. Unrealized profits and losses from intercompany transactions that are recognized in assets are also eliminated in full. Intercompany losses that indicate impairment are recognized in the consolidated financial statements.

The financial statements of subsidiaries are prepared for the same reporting period as the Company, using consistent accounting principles.

The Company accounts for its investments in subsidiaries, associates and joint venture as follows:

(a) Investments in Subsidiaries

Subsidiaries are entities (including structured entities) over which the Company has control. The Company controls an entity when (i) it has power over the investee; (ii) it is exposed, or has rights to, variable returns from its involvement with the entity; and, (iii) has the ability to affect those returns through its power over the entity. Except for acquisitions involving entities under common ownership that are accounted for under the pooling-of-interest method, the acquisition method is applied to account for acquired subsidiaries (see Note 2.12). Subsidiaries are consolidated from the date the Company obtains control.

The Company reassesses whether or not it controls an entity if facts and circumstances indicates that there are changes to one or more of the three elements of controls indicated above. Accordingly, entities are deconsolidated from the date that control ceases.

(b) Investments in Associates

Associates are entities over which the Group is able to exert significant influence but not control and which are neither subsidiaries nor interests in a joint arrangement. Investments in associates are initially recognized at cost and subsequently accounted for using the equity method.

Acquired investment in an associate is subject to the purchase method. The purchase method involves the recognition of the acquiree's identifiable assets and liabilities, including contingent liabilities, regardless of whether they were recorded in the financial statements prior to acquisition. Goodwill represents the excess of acquisition cost over the fair value of the Group's share of the identifiable net assets of the acquiree at the date of acquisition. Any goodwill or fair value adjustment attributable to the Group's share in the associate is included in the amount recognized as investment in an associate.

All subsequent changes to the Group's share of interest in the equity of the associate are recognized in the carrying amount of the investment. Changes resulting from the profit or loss generated by the associate are reported within the Other Income (Charges) account in the consolidated statement of profit or loss. These changes include subsequent depreciation, amortization or impairment of the fair value adjustments of assets and liabilities.

Impairment loss is provided when there is objective evidence that the investments in associates will not be recovered (see Note 2.18).

Changes resulting from other comprehensive income of the associate or items recognized directly in the associate's equity are recognized in other comprehensive income or equity of the Group, as applicable. However, when the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the investor resumes recognizing its share of those profits only after its share of the profits exceeds the accumulated share of losses that has previously not been recognized.

Distributions or dividends received from the associates are accounted for as a reduction of the carrying value of the investment.

(c) Investment in a Joint Venture

A joint venture pertains to a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. A joint venture entity pertains to an entity whose economic activities are controlled jointly by the Group and by other venturers independent of the Group (joint venturers). Investment in joint venture is accounted for under the equity method of accounting. Under this method, the investment in joint venture is recognized at cost on initial recognition, and the carrying amount is increased or decreased to recognize the investor's share in the profit or loss of the investee after the date of the acquisition. The investor's share of the investee's profit or loss is recognized in the investor's profit or loss. Distributions received from an investee reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for a change in the investor's proportionate interest in the investee arising from changes in the investee's other comprehensive income.

The investment in a joint venture is subject to impairment testing (see Note 2.18).

(d) Transactions with Non-Controlling Interests (NCI)

The Group's transactions with NCI that do not result in loss of control are accounted for as equity transactions – that is, as transaction with the owners of the Group in their capacity as owners. The difference between the fair value of any consideration paid and the relevant share acquired of the carrying value of the net assets of the subsidiary is recognized in equity. Disposals of equity investments to NCI result in gains and losses for the Group that are also recognized in equity.

When the Group ceases to have control over a subsidiary, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

2.4 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's Executive Committee, its chief operating decision-maker. The Executive Committee is responsible for allocating resources and assessing performance of the operating segments.

In identifying its operating segments, management generally follows the Group's products and service lines as disclosed in Note 26, which represent the main products and services provided by the Group.

Each of these operating segments is managed separately as each of these service lines requires different technologies and other resources as well as marketing approaches. All intersegment transfers are carried out at arm's length prices.

The measurement policies the Group uses for segment reporting under PFRS 8, *Operating Segments*, are the same as those used in its consolidated financial statements.

In 2020, management reclassified handling and trucking income previously presented as part of Other Income (Charges) – net section as part of the Revenues section; hence, segment information was also restated (see Notes 2.1 and 26).

2.5 Financial Assets

Financial assets are recognized when the Group becomes a party to the contractual terms of the financial instrument. For purposes of classifying financial assets, an instrument is considered as an equity instrument if it is non-derivative and meets the definition of equity for the issuer in accordance with the criteria of PAS 32, *Financial Instruments: Presentation*. All other non-derivative financial instruments are treated as debt instruments.

(a) Classification, Measurement and Reclassification of Financial Assets

The classification and measurement of financial assets is driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The classification and measurement of financial assets are described below.

(i) Financial Assets at Amortized Cost

Financial assets are measured at amortized cost if both of the following conditions are met:

- the asset is held within the Group's business model whose objective is to hold financial assets in order to collect contractual cash flows; and,

- the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely for payment of principal and interest on the principal amount outstanding.

Financial assets meeting these criteria are measured initially at fair value plus transaction costs. They are subsequently measured at amortized cost using the effective interest method, less any expected credit losses.

The Group's financial assets at amortized cost are presented in the consolidated statement of financial position as Cash and Cash Equivalents, Trade and Other Receivables (excluding Advances to officers and employees), Advances to Related Parties and Security deposits and Restricted cash presented as part of Other Current Assets and Other Non-Current Assets accounts, in the consolidated statement of financial position.

Financial assets measured at amortized cost are included in current assets, except for those with maturities greater than 12 months after the end of reporting period, which are classified as non-current assets.

For purposes of cash flows reporting and presentation, cash and cash equivalents comprise accounts with original maturities of three months or less, including cash. These generally include cash on hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

The Group may irrevocably elect at initial recognition to classify a financial asset that meets the amortized cost criteria above as at financial assets at FVTPL (FVTPL) if that designation eliminates or significantly reduces an accounting mismatch had the financial asset been measured at amortized cost. The Group has not made such designation.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of the financial assets except for those that are subsequently identified as credit-impaired. For credit-impaired financial assets at amortized cost, the effective interest rate is applied to the net carrying amount of the financial assets (after deduction of the loss allowance). The interest earned is recognized in the consolidated statement of profit or loss as part of Finance Income.

(ii) Financial Assets at Fair Value Through Profit or Loss (FVTPL)

Debt instruments that do not meet the amortized cost criteria, or that meet the criteria but the Group has chosen to designate as at FVTPL at initial recognition, are measured at FVTPL. Equity investments are classified as financial assets at FVTPL, unless the Group designates an equity investment that is not held for trading as at financial assets at fair value through other comprehensive income (FVOCI) at initial recognition. The Group's financial assets at FVTPL include equity securities which are designated as at FVTPL.

A financial asset is considered as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term;
- on initial recognition, it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or,
- it is a derivative that is not designated and effective as a hedging instrument or financial guarantee.

Financial assets at FVTPL are measured at fair value. Related transaction costs are recognized directly as expense in profit or loss. Unrealized gains and losses arising from changes (mark-to-market) in the fair value of the financial assets at FVTPL category and realized gains or losses arising from disposals of these instruments are included in as part of Finance Income in the consolidated statement of profit or loss.

The Group can only reclassify financial assets if the objective of its business model for managing those financial assets changes. Accordingly, the Group is required to reclassify financial assets: (i) from amortized cost to FVTPL, if the objective of the business model changes so that the amortized cost criteria are no longer met; and, (ii) from FVTPL to amortized cost, if the objective of the business model changes so that the amortized cost criteria start to be met and the characteristic of the instrument's contractual cash flows meet the amortized cost criteria.

A change in the objective of the Group's business model will be effected only at the beginning of the next reporting period following the change in the business model.

(b) Impairment of Financial Assets

At the end of the reporting period, the Group assesses and recognizes allowance for ECL on a forward-looking basis associated with its financial assets carried at amortized cost. The measurement of ECL involves consideration of broader range of information that is available without undue cost or effort at a reporting date about past events, current conditions, and reasonable and supportable forecasts of future economic conditions (i.e., forward-looking information) that may affect the collectability of future cash flows of the financial instruments evaluated based on a range of possible outcome.

The Group applies the simplified approach in measuring ECL, which uses a lifetime expected loss allowance for all trade and other receivables and other financial assets at amortized cost. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial assets. To calculate the ECL, the Group uses its historical experience, external indicators, forward-looking information, and other qualitative factors (including possible offsetting) to calculate the ECL using a provision matrix. The Group also assesses impairment of trade and other receivables on a collective basis as they possess shared credit risk characteristics, and have been grouped based on the days past due.

For advances to related parties which all are repayable on demand, the ECLs are recognized in two stages. If the credit risk on a financial asset has not increased significantly since initial recognition, the Group measures and provides for credit losses that are expected to result from default events that are possible within the next 12 months (12-month ECL). When there has been a significant increase in credit risk on a financial asset, a loss allowance is required for credit losses expected over the remaining life of exposure, irrespective of the timing of the default (lifetime ECL). Accordingly, ECLs are based on the assumption that repayment of the advances or loans is demanded at the reporting date taking into consideration the historical defaults of the related parties. Management considers if the related party has sufficient accessible highly liquid assets in order to repay the loan if demanded at the reporting date. If the Group cannot immediately collect its receivables, management considers the expected manner of recovery to measure ECL. If the recovery strategies indicate that the outstanding balance of the receivables can be collected, the ECL is limited to the effect of discounting the amount due over the period until cash is realized, which may already be negligible.

For cash and cash equivalents, the Group applies low credit risk simplification and measures the ECL on the financial assets based on a 12-month ECL basis unless there has been a significant increase in credit risk since origination, in which case, the loss allowance will be based on lifetime ECL.

(c) Derecognition of Financial Assets

The financial assets (or where applicable, a part of a financial asset or a group of financial assets) are derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

2.6 Inventories

Inventories are carried at the lower of cost or net realizable value. Cost, which includes all costs directly attributable to acquisitions, such as purchase price and other taxes that are not subsequently recoverable from taxing authority is determined using the first-in, first-out method. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale. The net realizable value of fuel and spare parts inventories is the current replacement cost.

2.7 Property and Equipment

Vessels and vessel equipment are measured at fair value less accumulated depreciation, amortization and accumulated impairment losses, if any. Land is measured at cost less any accumulated impairment losses. All other items of property and equipment are stated at cost less accumulated depreciation, amortization and any impairment in value.

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized while expenditures for repairs and maintenance are charged to expense as incurred, except for periodic drydocking costs typically performed every two years on the vessel, which are capitalized (see Note 2.8).

Following initial recognition at cost, vessels are carried at revalued amounts, which are the fair values at the date of revaluations less subsequent accumulated depreciation and any accumulated impairment losses.

Revalued amounts represent fair values determined based on valuation performed every after drydocking, which is generally done once every two years. Revaluations are performed and determined by independent appraisers and by management, for certain vessels. In addition, appraisal of vessels is conducted more frequently if market factors indicate a material change in fair value (see Note 29.4).

Any revaluation surplus is recognized in other comprehensive income and credited to the Revaluation Reserves account in the consolidated statement of financial position. Any revaluation deficit directly offsetting a previous surplus in the same asset is charged to other comprehensive income to the extent of any revaluation surplus in equity relating to this asset and the remaining deficit, if any, is recognized in profit or loss. Annually, an amount from the Revaluation Reserves is transferred to the Deficit for the related depreciation relating to the revaluation increment. Upon disposal of the revalued assets, amount included in Revaluation Reserves is transferred to Deficit.

Depreciation is computed on the straight-line basis over the estimated useful lives of the assets as follows:

Vessels and vessel equipment [see Note 3.2(d)]	2 to 35 years
Building	20 years
Furniture, fixtures and equipment	2 to 10 years
Transportation equipment	2 to 5 years

Leasehold improvements are amortized over the estimated useful lives of the assets of five to ten years or the lease term, whichever is shorter.

Fully depreciated and fully amortized assets are retained in the accounts until they are no longer in use and no further charge for depreciation and amortization is made in respect of these assets.

Construction-in-progress (CIP) represents vessels and properties under construction and on-going major repair works and is stated at cost. This includes cost of construction, applicable borrowing costs (see Note 2.20) and other direct costs. The account is not depreciated or amortized until such time that the assets are completed and available for use.

An asset's carrying amount is written down immediately to its recoverable amount when the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.18).

The residual values, estimated useful lives and method of depreciation and amortization of property and equipment are reviewed, and adjusted, if appropriate, at the end of each reporting period [see Note 3.2(d)].

An item of property and equipment, including the related accumulated depreciation and amortization and any impairment losses, is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. 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 item) is included in profit or loss in the year the item is derecognized.

2.8 Drydocking Costs

Drydocking costs, presented as part of Vessels and vessel equipment under the Property and Equipment account, are considered major repairs that preserve the life of the vessels. As an industry practice, costs associated with drydocking are capitalized as part of the vessel and amortized on a straight-line basis over two years or until the next drydocking occurs, whichever comes earlier (see Note 2.7). When significant drydocking expenditures occur prior to their expiry of this period, any remaining unamortized balance of the original drydocking costs is expensed in the month of subsequent drydocking.

Amortization of drydocking costs starts only when the process has been completed and the related vessel is ready for its intended use.

The carrying amount of drydocking costs is derecognized upon derecognition of the related vessels. The computed gain or loss arising on derecognition of the vessel takes into consideration the carrying amount of drydocking costs and is included in profit or loss in the year the related vessel is derecognized (see Note 2.7).

2.9 Other Assets

Other current assets, which are generally considered non-financial assets, pertain to other resources controlled by the Group as a result of past events. They are recognized in the consolidated financial statements when it is probable that the future economic benefits will flow to the Group and the asset has a cost or value that can be measured reliably. They are subsequently charged to profit and loss as utilized and or reclassified to another asset account, if capitalizable.

Other recognized assets of similar nature, where future economic benefits are expected to flow to the Group beyond one year after the end of the reporting period (or in the normal operating cycle of the business, if longer), are classified as non-current assets.

2.10 Financial Liabilities

Financial liabilities, which include interest-bearing loans and borrowings, redeemable preference shares (RPS), trade and other payables [except output value-added tax (VAT) and other tax-related liabilities] and advances from related parties are recognized when the Group becomes a party to the contractual terms of the instrument. These are recognized initially at their fair values and subsequently measured at amortized cost, using effective interest method for maturities beyond one year, less settlement payments.

Interest-bearing loans and borrowings include loans that are raised for support of the investing activities and working capital requirements of the Group and lease liabilities (see Note 2.16). Finance charges, including direct issue costs, are charged to profit or loss, except for capitalized borrowing costs, on an accrual basis using the effective interest method and are added to the carrying amount of the instrument to the extent that these are not settled in the period in which they arise.

Interest charges that are attributable to the acquisition, construction or production of a qualifying asset (i.e., an asset that takes a substantial period of time to get ready for its intended use or sale) are capitalized as part of the cost of such asset (see Note 2.20). All other interest-related charges incurred on a financial liability are recognized as an expense in the consolidated statement of profit or loss.

RPS, which carry a mandatory coupon or are redeemable on a specific date or at the option of the shareholder, are classified as liabilities. The dividends on these preferred shares are recognized on an amortized cost basis using the effective interest method and are presented as part of Finance Costs under Other Income (Charges) – net in the consolidated statement of profit or loss.

Trade and other payables and advances from related parties are initially recognized at their fair values and subsequently measured at amortized cost, using effective interest method for maturities beyond one year, less settlement payments.

Financial liabilities are classified as current liabilities if payment is due to be settled within one year or less after the reporting period (or in the normal operating cycle of the business, if longer), or does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period. Otherwise, these are presented as non-current liabilities.

Financial liabilities are derecognized from the consolidated statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration. The carrying amount of the financial liability derecognized and the consideration paid or payable is recognized in profit or loss. Where an existing liability is replaced by another from the same lender on substantially different terms, or if the terms of an existing liability are substantially modified, such an exchange or modification is treated as derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognized as gain or loss in profit or loss. If the modification is not considered substantial, the liability is restated to the net present value of revised cash flows discounted at the original effective interest rate, with the adjustment recognized as gain or loss in profit or loss.

2.11 Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the resulting net amount, considered as a single financial asset or financial liability, is reported in the consolidated statement of financial position when the Group currently has legally enforceable right to set-off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The right of set-off must be available at the end of the reporting period, that is, it is not contingent on future event. It must also be enforceable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy; and must be legally enforceable for both entity and all counterparties to the consolidated financial instruments.

2.12 Business Combinations

Business combination involving entities under common control are accounted for under the pooling of interest method. Under this method, the assets and liabilities of the combining entities are reflected in the consolidated financial statements at their carrying amounts. No adjustments are made to reflect fair values, or recognize new assets and liabilities.

All other business combinations are accounted for using the acquisition method. The acquisition method requires recognizing and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interest issued by the Group, if any. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expenses as incurred and subsequent changes in the fair value of contingent consideration is recognized directly in profit or loss.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree, either at fair value or at the NCI’s proportionate share of the recognized amounts of the acquiree’s identifiable assets.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, the Group is required to report in its consolidated financial statements provisional amount for the items for which accounting is incomplete. The recognized provisional amounts may be adjusted during the measurement period as if the accounting for the business combination had been completed at the date of acquisition. The measurement period ends as soon as the Group receives the information it was seeking about facts and circumstances that existed as of the acquisition date or learns that more information is not obtainable. However, the measurement period shall not exceed one year from acquisition date.

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group’s share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed (see Note 2.18). Negative goodwill or gain on bargain purchase, which is the excess of the Group’s interest in the net fair value of net identifiable assets acquired over acquisition costs, is charged directly to profit or loss.

For the purpose of impairment testing, goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The cash-generating units or groups of cash-generating units are identified according to operating segment.

Gains and losses on the disposal of an interest in a subsidiary include the carrying amount of goodwill relating to it.

If the business combination is achieved in stages, the Group remeasures its previously held equity interest in the acquiree at its acquisition-date fair value and recognizes the resulting gain or loss, if any, in profit or loss or other comprehensive income, as appropriate.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with PAS 37, either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

2.13 Advances from Customers

Advances from customers are measured at the amount of cash received from the customers under bareboat (BB) agreements and are reclassified and recognized as revenue when the related revenue transactions are consummated.

2.14 Provisions and Contingencies

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive obligation that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When time value of money is material, long-term provisions are discounted to their present values using a pretax rate that reflects market assessments and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In those cases, where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the consolidated financial statements. Similarly, possible inflows of economic benefits to the Group that do not yet meet the recognition criteria of an asset are considered contingent assets; hence, are not recognized in the consolidated financial statements. On the other hand, any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

2.15 Revenue and Expense Recognition

Revenue comprises revenue earned from sale of goods and rendering of services measured by reference to the fair value of consideration received or receivable by the Group for services rendered, excluding VAT and discounts.

To determine whether to recognize revenue, the Group follows a five-step process:

1. identifying the contract with a customer;
2. identifying the performance obligation;
3. determining the transaction price;
4. allocating the transaction price to the performance obligations; and,
5. recognizing revenue when/as performance obligations are satisfied.

For Step 1 to be achieved, the following five gating criteria must be present:

1. the parties to the contract have approved the contract either in writing, orally or in accordance with other customary business practices;

2. each party's rights regarding the goods or services to be transferred or performed can be identified;

3. the payment terms for the goods or services to be transferred or performed can be identified;

4. the contract has commercial substance (i.e., the risk, timing or amount of the future cash flows is expected to change as a result of the contract); and,

5. collection of the consideration in exchange of the goods and services is probable.

Revenue is recognized only when (or as) the Group satisfies a performance obligation by transferring control of the promised goods or services to a customer. The transfer of control can occur over time or at a point in time.

A performance obligation is satisfied at a point in time unless it meets one of the following criteria, in which case it is satisfied over time:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; and,
- the Group's performance does not create an asset with an alternative use to the Group and the entity has an enforceable right to payment for performance completed to date.

The transaction price allocated to performance obligations satisfied at a point in time is recognized as revenue when control of the goods or services transfers to the customer. If the performance obligation is satisfied over time, the transaction price allocated to that performance obligation is recognized as revenue as the performance obligation is satisfied.

The Group also assesses its revenue agreements against the specific criteria enumerated below in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as principal in all its revenue arrangements.

The following specific recognition criteria must be met before revenue is recognized:

(a) *Freight* – Revenue from freight services pertains to the transport of cargoes (rolling, bulk or containerized) from one port to another, is recognized over time, and is generally based on a rate per cubic meter or weight of the cargo, whichever is higher, while rates for containerized cargo are based on a fixed rate per container.

(b) *Charter fees* – Revenue, which consists mainly of charter income arising from the charter hire of its vessels, is recognized based on the type of charter arrangement entered into, either under a continuing voyager charter (CVC), time charter (TC) or BB arrangement [see Note 3.1(b)].

Revenues from BB arise from the hiring of vessels for a specified period of time, with no administration or technical maintenance included as part of the agreement. These arrangements qualify as lease; hence, revenue is recognized on a straight-line basis over the term of the contract in accordance with PFRS 16 [see Note 2.16(a)(ii)].

On the other hand, revenues from TC and CVC arise from the delivery of liquid cargoes to the customers' premises such as the customers' vessels, oil depots or terminals or fuel tanks, and is recognized over time, with the distinction that in a TC, bunkering and port charges are shouldered by the customer.

(c) *Passage* – Revenue, which pertains to the transport of passengers from one port to another within the Philippines, is recognized over time and is based on the published tariff rates per passenger and route of the vessel. The duration of routes generally ranges from one to ten hours.

The Group incurs incremental commission fees paid to travel agencies for each passenger booked through such intermediary. These amounts are expensed as incurred.

(d) *Tugboat fees* – Revenue, which consist of fees arising from assisting domestic and international vessels in docking, undocking, shifting, towing, ferry services, tugboat usage and delivery services, is recognized over time. The duration of such services normally ranges between one to four hours. Fees are based on agreed hourly rates for the use of tugboats.

The Group incurs incremental commission fees paid to intermediaries in connection with the provision of tugboat services. These amounts are expensed as incurred.

(e) *Other service revenues* – Other service revenues generally include performance of ship management and crewing services, warehousing and distribution services. Ship management and crewing services are recognized over time based on the terms of the contract which assumes that the customer receives the benefits as the Group performs the service. Warehousing revenues is generally based on a fixed rate per pallet position for ambient or fixed rate per hour for cold storage. On the other hand, distribution services are generally recognized over time when the performance of the contractually agreed-upon services have been rendered i.e., when cargoes are received by either the shipper or consignee for delivery transactions.

(f) *Standby charges* – Revenue is recognized at a point in time i.e., upon failure of the charterer to utilize/dispatch the tanker vessels within the allotted lay-time initially agreed upon with the Group.

(g) *Sale of goods* – Revenue primarily include sale of food and beverage items to the vessels' passengers and is recognized at a point in time, which is generally when control over the goods have transferred to the buyer. This is generally when the customer has taken undisputed delivery of goods.

Revenues from TC, CVC, passage, freight, tugboat fees, and other services are recognized over time when the Group transfers control of the services over time, based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided, because the customer receives and uses the benefits simultaneously.

Cost and expenses are recognized in profit or loss upon utilization of goods or services or at the date they are incurred. All finance costs are reported in profit or loss on an accrual basis, except capitalized borrowing costs, which are included as part of the cost of the related qualifying asset (see Note 2.20).

2.16 Leases

The Group accounts for its leases as follows:

(a) Accounting for Leases in Accordance with PFRS 16 (2020 and 2019)

For any new contracts entered into on or after January 1, 2019, the Group considers whether a contract is, or contains a lease. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. To apply this definition, the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;

- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and,

- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

(i) Group as Lessee

At lease commencement date, the Group recognizes a right-of-use asset and a lease liability on the consolidated statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

If the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option, the lessee shall depreciate the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist (see Note 2.18).

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in-substance fixed payments), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

On the consolidated statement of financial position, right-of-use assets have been included under Property and Equipment account, which reflects how the underlying assets would have been recognized had they been owned by the Group, and lease liabilities have been included under Interest-bearing Loans and Borrowings account.

(ii) Group as Lessor

The Group's accounting policy under PFRS 16 has not changed significantly from the comparative periods. As a lessor, the Group classifies its leases as either operating or finance leases. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset and classified as an operating lease if it does not.

(b) Accounting for Leases in Accordance with PAS 17 (2018)

The Group determines whether an arrangement is, or contains a lease, based on the substance of the arrangement. It makes an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

(i) Group as Lessee

Leases which transfer to the Group substantially all risks and benefits incidental to ownership of the leased item are classified as finance leases and are recognized as assets and liabilities in the consolidated statement of financial position at amounts equal to the fair value of the leased property at the inception of the lease or, if lower, at the present value of minimum lease payments. Lease payments are apportioned between the finance costs and reduction of the lease liability to achieve a constant rate of interest on the remaining balance of the liability.

Finance costs are recognized in profit or loss. Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases, which do not transfer to the Group substantially all the risks and benefits of ownership of the asset, are classified as operating leases. Operating lease payments (net of any incentive received from the lessor) are recognized as expense in profit or loss on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

(ii) Group as Lessor

Leases wherein the Group substantially transfers to the lease all risks and benefits incidental to ownership of the leased item are classified as finance leases and are presented as receivable at an amount equal to the Group's net investment in the lease. Finance income is recognized based on the pattern reflecting a constant periodic rate of return on the Group's net investment outstanding in respect of the finance lease.

Leases, which do not transfer to the lessee substantially all the risks and benefits of ownership of the asset, are classified as operating leases. Lease income from operating lease is recognized at the agreed rates over the lease term.

2.17 Functional Currency and Foreign Currency Transactions

(a) Transactions and Balances

The accounting records of the Group, except UIBV and CSLSP, are maintained in Philippine pesos. Foreign currency transactions during the period are translated into the functional currency at exchange rates which approximate those prevailing on transaction dates. The accounting records of UIBV and CSLSP are maintained in United States (U.S.) dollar.

Foreign currency exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of profit or loss as part of either Finance Income or Finance Costs.

(b) Translation of Financial Statements of Foreign Subsidiary

The operating results and financial position of UIBV and CSLSP are translated to Philippine pesos, the Group's functional and presentation currency, as presented below.

(i) Assets and liabilities for each consolidated statement of financial position presented are translated at the closing rate at the end of the reporting period;

(ii) Income and expenses for each profit or loss account are translated at average exchange rates over the reporting period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and,

(iii) All resulting exchange differences are recognized as a separate component of other comprehensive income under currency exchange differences on translating financial statements of foreign operations, which is included under items that will be reclassified subsequently to profit or loss.

When a foreign operation is partially disposed of or sold, such exchange differences are recognized in the consolidated statements of profit or loss as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

The translation of the financial statements into Philippine peso should not be construed as a representation that the U.S. dollar amounts could be converted into Philippine peso amounts at the translation rates or at any other rates of exchange.

2.18 Impairment of Non-financial Assets

Goodwill is tested for impairment at least annually. All other non-financial assets are subject to impairment testing whenever events or changes in circumstances indicate that the carrying amount of those assets may not be recoverable.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, assets are tested for impairment either individually or at the cash-generating unit level.

Impairment loss is recognized in profit or loss for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amounts, which is the higher of its fair value less costs to sell and its value in use. In determining value in use, management estimates the expected future cash flows from each cash-generating unit and determines the suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. Except for impairment losses on goodwill, an impairment loss is reversed if the asset's or cash-generating unit's recoverable amount exceeds its carrying amount.

2.19 Employee Benefits

The Group provides post-employment benefits to employees through a defined benefit plan and defined contribution plan, and other employee benefits which are recognized as follows:

(a) Post-employment Defined Benefit Plan

A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, periods of service and salary. The legal obligation for any benefits from this kind of post-employment plan remains with the Group, even if plan assets for funding the defined benefit plan have been acquired. Plan assets may include assets specifically designated to a long-term benefit fund, as well as qualifying insurance policies. The Group's defined benefit post-employment plan covers all regular full-time employees. The pension plan is tax-qualified, non-contributory and administered by a trustee.

The liability or asset recognized in the consolidated statement of financial position for a defined benefit plan is the present value of the defined benefit obligation less the fair value of plan assets at the end of the reporting period. The defined benefit obligation is calculated regularly by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows for expected benefit payments using a discount rate derived from the interest rates of zero coupon government bonds as published by using the reference rates published by Bloomberg through its valuation technology, Bloomberg Valuation (BVAL), that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related post-employment liability. BVAL rates provide evaluated prices that are based on market observations from contributed sources.

Remeasurements, comprising of actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions and the return on plan assets (excluding amount included in net interest) are reflected immediately in the consolidated statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they arise. Net interest is calculated by applying the discount rate at the beginning of the period, unless there is a plan amendment, curtailment or settlement during the reporting period. The calculation also takes into account of any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments. Net interest is reported as part of Finance Costs or Finance Income account in the consolidated statement of profit and loss.

Past service costs are recognized immediately in profit or loss in the period of a plan amendment and curtailment.

(b) Post-employment Defined Contribution Plan

A defined contribution plan is a post-employment plan under which the Group pays fixed contributions into an independent entity. The Group has no legal or constructive obligations to pay further contributions after payment of the fixed contribution. The contributions recognized in respect of defined contribution plans are expensed as they fall due. Liabilities or assets may be recognized if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short-term nature.

(c) Short-term Benefits

Short-term employee benefits include wages, salaries, bonuses, and non-monetary benefits provided to current employees, which are expected to be settled before twelve months after the end of the reporting period during which an employee services are rendered, but does not include termination benefits. The undiscounted amount of the benefits expected to be paid in respect of services rendered by employees in an accounting period is recognized in profit or loss during that period and any unsettled amount at the end of the reporting period is included as part of Trade and Other Payables account in the consolidated statement of financial position.

(d) Share-based Employee Compensation

The Group grants share options to qualified employees eligible under a stock option plan. The services received in exchange for the grant, and the corresponding share options, are valued by reference to the fair value of the equity instruments granted at grant date. This fair value excludes the impact of non-market vesting conditions (for example, profitability and sales growth targets and performance conditions), if any. The share-based remuneration is recognized as an expense in profit or loss with a corresponding credit to Share Options Outstanding account of the consolidated statement of financial position.

The expense is recognized during the vesting period based on the best available estimate of the number of share options expected to vest. The estimate is subsequently revised, if necessary, such that it equals the number of options that ultimately vest on vesting date. No subsequent adjustment is made to expense after vesting date, even if share options are ultimately not exercised.

Upon exercise of the share option, the proceeds received net of any directly attributable transaction costs up to the nominal value of the shares issued are allocated to Capital Stock with any excess being recorded as Additional Paid-in Capital.

(e) Termination Benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of when it can no longer withdraw the offer of such benefits and when it recognizes costs for a restructuring that is within the scope of PAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the reporting period are discounted to their present value.

(f) Profit-sharing and Bonus Plans

The Group recognizes a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Group's shareholders after certain adjustments. The Group recognizes a provision where it is contractually obliged to pay the benefits, or where there is a past practice that has created a constructive obligation.

(g) Compensated Absences

Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the end of each reporting period. They are included in Trade and Other Payables account in the consolidated statement of financial position at the undiscounted amount that the Group expects to pay as a result of the unused entitlement.

2.20 Borrowing Costs

Borrowing costs are recognized as expense in the period in which they are incurred, except to the extent that they are capitalized. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of such asset. The capitalization of borrowing costs commences when expenditures for the asset and borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization ceases when substantially all such activities are complete.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

For income tax purposes, interest and other borrowing costs are charged to expense when incurred.

2.21 Income Taxes

Tax expense recognized in profit or loss comprises the sum of current tax and deferred tax not recognized in other comprehensive income or directly in equity, if any.

Current tax assets or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the end of the reporting period. They are calculated using the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in profit or loss.

Deferred tax is accounted for using the liability method on temporary differences at the end of each reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carryforward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow such deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled provided such tax rates have been enacted or substantively enacted at the end of the reporting period.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

Deferred tax assets and deferred tax liabilities are offset if the Group has a legally enforceable right to set-off current tax assets against current tax liabilities and the deferred taxes relate to the same entity and the same taxation authority.

2.22 Related Party Transactions and Relationships

Related party transactions are transfers of resources, services or obligations between the Group and its related parties, regardless whether a price is charged.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Group; (b) associates; (c) individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the Group and close members of the family of any such individual; and, (d) the Group's funded retirement plan.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.

Transactions amounting to more than P1.0 billion that were entered into with a related party, either individually or in aggregate value over a 12-month period with the same related party, are considered material. This is based on the requirements of SEC Memorandum Circular No. 2019-10, *Rules of Material Related Party Transactions of Publicly-listed Corporations*.

All individual material related party transactions shall be approved by at least two-thirds vote of the BOD, with at least a majority of the independent directors voting to approve the material related party transactions. In case that a majority of the independent directors' vote is not secured, the material related party transactions (RPT) may be ratified by the vote of the stockholders representing at least two-thirds of the capital stock. For aggregate RPT transactions within a 12-month period that breaches the materiality threshold of P1.0 billion, the same BOD approval would be required for the transactions that meet and exceed the materiality threshold covering the same related party.

Directors with personal interest in the transaction should abstain from participating in discussions and voting on the same. In case they refuse to abstain, their attendance shall not be counted for the purposes of assessing the quorum and their votes shall not be counted for purposes of determining approval.

2.23 Non-current Assets Classified as Held for Sale

Non-current assets classified as held for sale and disposal group include certain investments, including corresponding goodwill, and vessels that the Group intends to sell within one year from the date of classification as held for sale.

The Group classifies a non-current asset (or disposal group) as held for sale if the carrying amount will be recovered principally through a sale transaction rather than through continuing use. In the event that the sale of the asset is extended beyond one year, the extension of the period required to complete the sale does not preclude an asset from being classified as held for sale if the delay is caused by events or circumstances beyond the Group's control and there is sufficient evidence that the Group remains committed to its plan to sell the asset.

Non-current assets held for sale are measured at the lower of their carrying amounts, immediately prior to their classification as held for sale, and their fair value less costs to sell. The Group shall recognize an impairment loss for any initial or subsequent write-down of the asset at fair value less cost to sell. Gain from any subsequent increase in fair value less cost to sell of an asset is recognized to the extent of the cumulative impairment loss previously recognized. Assets classified as held for sale are not subject to depreciation and amortization.

The Group presents assets classified as held for sale and liabilities related to assets held for sale separately from other assets and other liabilities, respectively, in the consolidated statements of financial position.

If the Group has classified an asset as held for sale, but the criteria for it to be recognized as held for sale are no longer satisfied, the Company shall cease to classify the asset as held for sale.

2.24 Deposits on Future Stock Subscriptions

Deposits on future stock subscriptions refers to the amount of money or property received by the Company with the purpose of applying the same as payment for future issuance of stocks which may or may not materialize. The Group does not consider a deposit on stock subscription as an equity instrument unless all of the following elements are present:

(i) There is a lack or insufficiency of authorized unissued shares of stock to cover the deposit;

(ii) The Company's BOD and stockholders have approved an increase in capital stock to cover the shares corresponding to the amount of the deposit; and,

(iii) An application for the approval of the increase in capital stock has been presented for filing or filed with the SEC.

If any or all of the foregoing elements are not present, the transaction should be recognized as a liability. The amount of deposit on future stock subscription will be reclassified to equity accounts when the foregoing criteria were satisfied.

2.25 Equity

Capital stock represents the nominal value of shares that have been issued.

Additional paid-in capital (APIC) includes any premium received on the issuance of capital stock. Any transaction costs associated with the issuance of shares are deducted from APIC, net of any related income tax benefits.

Revaluation reserves comprise gains and losses arising from the revaluation of the Group's vessels, remeasurements of post-employment defined benefit plan and cumulative translation adjustments on financial statements of foreign subsidiaries.

Share options outstanding represent the value of the share options during vesting period upon recognition of share-based remuneration expense in consolidated profit or loss, net of any share options exercised or expired.

Other reserves pertain to the difference between the Company's cost of investment and the net identifiable assets of the acquired entities in a business combination accounted for under the pooling-of-interest method.

Deficit represent all current and prior period results of operations as reported in the consolidated statement of profit or loss.

2.26 Loss Per Share

Basic loss per share is computed by dividing net loss attributable to the Company's stockholders by the weighted average number of shares issued and outstanding, adjusted retroactively for any stock dividends declared, stock split and reverse stock split declared during the current period.

Diluted loss per share is computed by adjusting the weighted average number of ordinary shares outstanding to assume conversion of potentially dilutive shares. Currently, the Company does not have potentially dilutive shares outstanding; hence, the diluted loss per share is equal to the basic loss per share.

2.27 Events After the End of the Reporting Period

Any post-year-end event that provides additional information about the Group's consolidated financial position at the end of the reporting period (adjusting event) is reflected in the consolidated financial statements. Post-year-end events that are not adjusting events, if any, are disclosed when material to the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements in accordance with PFRS requires management to make judgments and estimates that affect the amounts reported in the consolidated financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately differ from these estimates.

3.1 Critical Management Judgments in Applying Accounting Policies

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

(a) Determination of Lease Term of Contracts with Renewal and Termination Options (2020 and 2019)

In determining the lease term, management considers all relevant factors and circumstances that create an economic incentive to exercise a renewal option or not exercise a termination option. Renewal options are only included in the lease term if the lease is reasonably certain to be extended or not terminated.

For leases of warehouses and offices, the factors that are normally the most relevant are (a) if significant penalties should the Group pre-terminate the contract, and (b) if any leasehold improvements are expected to have significant remaining value, the Group is reasonably certain to extend and not to terminate the lease contract. Otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

The Group assessed that the renewal period of certain leases of warehouses and offices should not be included in the lease term, as there is no reasonable certainty that such renewal option will be exercised. In addition, renewal options of certain leases are deemed unenforceable as they depend on the mutual agreement of both lessor and lessee. Moreover, the Group also assessed that the termination option for a certain office lease is reasonably certain not to be exercised.

The lease term is reassessed if an option is actually exercised or not exercised or the Group becomes obliged to exercise or not exercise it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the Group.

(b) Determination of Timing of Satisfaction of Performance Obligations

In determining the appropriate method to use in recognizing the Group's revenues from TC, CVC, passage, freight, tugboat fees and other services, management determines that revenue is recognized over time when the Group transfers control of the services over time, based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided, because the customer receives and uses the benefits simultaneously.

On the other hand, revenues from sale of goods and stand-by charges shall be recognized at a point in time when the control of the goods have passed to the customer, i.e., generally when the customer acknowledged delivery of goods.

(c) Determination whether Group is Principal or Agent

The Group assesses its revenue arrangements against the following criteria to determine whether it is acting as principal or an agent:

- whether the Group has primary responsibility for providing the services;
- whether the Group has inventory risk;
- whether the Group has direction in establishing prices; and,
- whether the Group bears the credit risk.

If the Group has determined it is acting as a principal, the Group recognizes revenue on a gross basis with the amount remitted to the other party being accounted as part of costs and expenses. If the Group has determined it is acting as an agent, only the net amount retained is recognized as revenue.

The Group assessed its revenue arrangements and concluded that it is acting as principal in all arrangements.

(d) Assessment of Control or Significant Influence over an Investee Company

Judgment is exercised in determining whether the Group already has significant influence or control over an entity. In assessing each interest over an entity, the Group considers the power over 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 the amount of the investor's return.

Management assessed that the Group has established control over KGLI-NM, which was previously recognized as an associate, after its acquisition of 50.37% voting interest in 2020. The Group now holds an 80% economic interest and effective 90.07% voting rights in KGLI-NM as of December 31, 2020 (see Notes 1.2, 10 and 25). Prior to 2020, the Group held 80% economic interest and 39.71% voting rights over KGLI-NM.

Management also assessed that despite the dilution of effective ownership interest in DHC in 2020 (see Note 1.2), the Group continues to exercise significant influence arising from its representation on the board of directors and participation in policy-making processes of DHC.

(e) Distinction Between Operating and Finance Leases

The Group has entered into various lease agreements as either a lessor or lessee. Critical judgment was exercised by management in 2018 and prior years to distinguish each lease agreement as either an operating or a finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities.

Management has assessed that the sale and leaseback arrangement with a non-bank financing institution in 2018 is accounted for as a finance lease. All other leases are accounted for as operating lease.

Starting 2019, upon adoption of PFRS 16, distinction between operating and finance leases are applicable only to lease agreements as a lessor. All leases entered into as a lessee, except for those qualified under the optional exemptions as provided by the standard, are required to be recognized on-balance sheet.

(f) Capitalization of Borrowing Costs

The Group determines whether the amount of borrowing costs qualify for capitalization as part of the cost of the qualifying asset, or should be expensed outright. The accounting treatment for the finance costs is determined by assessing whether the asset is a qualifying asset taking into consideration the period of time to bring the asset ready for its intended use. Failure to make the right judgment will result in misstatement of assets and net profit.

(g) Recognition of Provisions and Contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition of provisions and contingencies are discussed in Note 2.14 and relevant disclosures are presented in Note 24.

3.2 Key Sources of Estimation Uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period are presented below and in the succeeding page.

(a) Determination of Appropriate Discount Rate in Measuring Lease Liabilities (2020 and 2019)

The Group measures its lease liabilities at present value of the lease payments that are not paid at the commencement date of the lease contract. The lease payments were discounted using reasonable rates deemed by management equal to the Group's incremental borrowing rates. In determining a reasonable discount rate, management considers the term of the lease, the underlying asset and the economic environment. Actual results, however, may vary due to changes in estimates brought about by changes in such factors.

(b) Impairment of Trade and Other Receivables, Security Deposits and Advances to Related Parties

The Group measures impairment of trade and other receivables and security deposits at an amount equal to lifetime ECL. The expected credit losses on trade and other receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors (including possible offsetting of outstanding liability with the debtor), general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

In relation to advances to related parties, PFRS 9 notes that the maximum period over which expected impairment losses should be measured is the longest contractual period where an entity is exposed to credit risk. In the case of these advances to related parties, which are repayable on demand, the contractual period refers only to the short period needed to transfer the cash once demanded. Management determines possible impairment based on the sufficiency of the related party's highly liquid assets in order to repay the loan if demanded at the reporting date taking into consideration the historical defaults of the related party.

(c) Determining Net Realizable Value of Inventories

In determining the net realizable value of inventories, management takes into account the most reliable evidence available at the dates the estimates are made. Future realization of the carrying amounts of inventories as presented in Note 7 is affected by price changes and action from the competitors. These are considered key sources of estimation uncertainty and may cause significant adjustments to the Group's inventories within the next financial reporting period.

(d) Estimating Useful Lives and Residual Values of Property and Equipment

The Group estimates the useful lives of property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence, and legal or other limits on the use of the asset. The Group also reviews the residual value of its property and equipment to ensure that the amount reflects the future economic benefits embodied in these vessels at the point of disposal.

The carrying amounts of property and equipment are analyzed in Note 9. In 2019, management revised the residual value of its vessels. This change in accounting estimate was applied prospectively, beginning January 1, 2019, and resulted in the decrease in depreciation totaling P103.4 million during the year and in the succeeding periods. Also, in 2018, management changed the estimated useful lives of brand new vessels from 30 to 35 years and container yards from five years to ten years. This change in accounting estimate was also applied prospectively, beginning January 1, 2018, and resulted in the decrease in depreciation of certain vessels and container yards totaling P58.4 million during the year and in the succeeding periods.

There were no further changes made in these accounting estimates in 2020.

(e) Fair Value Measurement of Vessels and Vessel Equipment

The Group's vessels and vessel equipment, included as part of Property and Equipment, are carried at revalued amounts at the end of the reporting period. In determining the fair value of these assets, the Group mostly engages the services of professional and independent appraiser, except for certain vessels which were valued by management. Valuations were made by applying the relevant methodologies and assumptions as discussed in Note 29.4.

For the Group's vessels and vessel equipment with valuation conducted prior to the end of the reporting period, management determines whether there are significant circumstances during the intervening period that may require adjustments or changes in the disclosure of fair value of those assets.

A significant change in the inputs and assumptions discussed in Note 29.4 may affect prices and the value of the assets. The amounts of revaluation recognized on the Group's vessels are disclosed in Note 9.

(f) Determining Realizable Amount of Deferred Tax Assets

The Group reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount 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 assets to be utilized.

In 2020, management assessed that certain deferred tax assets previously recognized were no longer expected to be recoverable in the subsequent reporting periods; hence, were derecognized in the 2020 consolidated statement of financial position. The carrying value of deferred tax assets as of December 31, 2020 and 2019 is disclosed in Note 19.2.

(g) Impairment of Non-financial Assets

In assessing impairment, management estimates the recoverable amount of each asset or a cash-generating unit based on expected future cash flows and uses an interest rate to calculate the present value of those cash flows. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate (see Note 2.18). Though management believes that the assumptions used in the estimation of fair values reflected in the consolidated financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

Management has assessed that certain vessels are impaired as of December 31, 2020 and 2019. The Group has recognized impairment losses amounting to P70.8 million in 2020 and P7.4 million in 2019 and are presented as Impairment losses on property and equipment under Cost of Sales and Services in the 2020 and 2019 consolidated statement of profit or loss (see Notes 9 and 16). No impairment losses are required to be recognized on the Group's non-financial assets in 2018.

In October 2020, the Group retired two of its passenger vessels from its vessel fleet after they capsized in Mabini, Batangas due to typhoon. The carrying value of the vessels, which was retired in October 2020, amounted to P84.2 million (see Note 9). Gain on retirement, after recognition of insurance claims of P108.1 million, amounted to P23.9 million and is presented as part of Other income under Other Income (Charges) section in the 2020 consolidated statement of profit or loss (see Note 19.3).

(h) Valuation of Post-employment Defined Benefit Obligation

The determination of the Group's obligation and cost of post-employment defined benefit is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include, among others, discount rates and expected salary increase rates. A significant change in any of these actuarial assumptions may generally affect the recognized expense, other comprehensive income or losses and the carrying amount of the post-employment benefit obligation in the next reporting period.

The amounts of post-employment benefit obligation and expense and an analysis of the movements in the estimated present value of post-employment benefit, as well as the significant assumptions used in estimating such obligation are presented in Note 18.2.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components:

	2020	2019
Cash on hand and in banks	**P 126,851,730**	P 362,873,262
Short-term placements	**12,355,243**	12,355,243
	P 139,206,973	P 375,228,505

Cash in banks generally earn interest based on daily bank deposit rates. Short-term placements are made for varying periods from 30 to 90 days and earn effective interest ranging from 1.00% to 3.50% in 2020, 2019 and 2018.

The balances of cash on hand and in banks as of December 31, 2020 and 2019 did not include an amount of P6.6 million and P20.7 million in 2020 and 2019, respectively, which is shown as Restricted cash under the Other Current Assets and Other Non-current Assets accounts in the consolidated statements of financial position (see Notes 8 and 12). Such amount is not available for the general use of the Group as this is reserved for principal and interest payments for certain loans (see Note 13.1).

5. TRADE AND OTHER RECEIVABLES

This account is composed of the following:

	Note	**2020**	2019
Trade receivables	21.1, 21.3	**P 2,016,581,695**	P 2,012,718,072
Due from agencies		**192,521,709**	172,264,135
Claims receivables		**112,871,942**	16,658,828
Advances to officers and employees		**24,603,182**	20,909,146
Others		**20,677,981**	22,689,807
		2,367,256,509	2,245,239,988
Allowance for expected credit losses		**(781,073,891)**	(19,504,177)
		P 1,586,182,618	P 2,225,735,811

All of the Group's trade and other receivables have been assessed for impairment using ECL methodology. Based on the assessment made using the provisional matrix as determined by the management, adequate amounts of allowance for ECL has been provided (see Note 27.2).

A reconciliation of the allowance for ECL at the beginning and end of 2020 and 2019 is shown below.

	Note	**2020**	2019
Balance at beginning of year		**P 19,504,177**	P 17,601,775
Additional ECL during the year	17	**761,569,714**	-
Balance from acquired subsidiary		**-**	1,902,402
Balance at end of year		**P 781,073,891**	P 19,504,177

Trade and other receivables are unsecured and do not bear any interest. All receivables, except for advances to officers and employees, are subject to credit risk exposure (see Note 27.2).

Due from agencies represent claims from authorized agencies for tickets issued to customers.

Claims receivables include insurance claims from the retirement of certain vessels and charges made by the customers to the Group for claims on damages due to handling of goods and/or cargoes. These are reimbursable from the transacting agency.

Advances to officers and employees represent unsecured, noninterest-bearing cash advances for business-related expenditures and are subject to liquidation.

Certain trade receivables amounting to P603.7 million and P333.2 million as of December 31, 2020 and 2019, respectively, were used as collateral to secure the payment of the Group's interest-bearing loans (see Note 13.1).

6. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

This account represents investments in equity securities that are listed in the PSE that have been designated by management as financial assets at FVTPL upon initial recognition. The fair values of equity securities have been determined directly by reference to quoted bid prices in active markets (see Note 29.2).

In 2020, TASLI redeemed some of its investments in equity securities with total proceeds amounting to P1.7 million. Gain on sale of financial assets at FVTPL is presented as part of Miscellaneous under Other Income account in the Other Income (Charges) section in the 2020 consolidated statement of profit or loss (see Note 19.3). No similar transaction was noted for the year ended December 31, 2019 and 2018.

7. INVENTORIES

This account, which are all stated at cost, includes the following:

	Note	**2020**	2019
Spare parts		**P 407,123,996**	P 335,357,723
Fuel and lubricants	21.2	**168,229,056**	165,527,972
Shipping supplies		**36,409,168**	42,169,599
Food, beverage and other supplies		**859,101**	3,748,659
		P 612,621,321	P 546,803,953

As of December 31, 2020 and 2019, based on management's assessment, the net realizable value of all of the Group's inventories is higher than its cost.

Spare parts include inventory items such as bearings, cylinders, fuel injectors and other items used for the routine repair, maintenance or replacement of vessel that does not meet the definition of property and equipment in accordance with PAS 16.

Costs incurred relating to these inventories, such as bunkering, repairs and maintenance and supplies, are presented under the Cost of Sales and Services account in the consolidated statements of profit or loss (see Notes 16 and 17).

As of December 31, 2020 and 2019, there are no inventories pledged as security for any of the Group's liabilities as of the end of each reporting period.

8. OTHER CURRENT ASSETS

The breakdown of this account as of December 31, 2020 and 2019 follows:

	Note	2020	2019
Input VAT		**P 336,237,276**	P 328,432,137
Deferred input VAT		**268,428,803**	268,563,972
Creditable withholding taxes		**277,990,211**	247,937,317
Prepayments		**158,782,720**	145,954,235
Advances to suppliers		**133,013,755**	21,918,067
Deferred charges		**66,886,755**	69,603,867
Restricted cash	4	**6,243,268**	6,248,270
		P 1,247,582,788	P 1,088,657,865

Prepayments primarily include prepaid taxes and licenses, rentals, and insurance.

Deferred input VAT pertains to the input VAT on services rendered to the Group that remains unpaid as of the end of each reporting period.

Deferred charges pertain to downpayments made to suppliers for various future projects that are under pre-development.

Restricted cash represents bank accounts that are reserved for debt service requirements in relation to certain loans of the Group (see Note 13.1).

9. PROPERTY AND EQUIPMENT

The gross carrying amounts and accumulated depreciation, amortization and impairment loss of property and equipment at the beginning and end of 2020 and 2019 are shown below.

	Land	Vessels and Vessel Equipment	Transportation Equipment	Building and Leasehold Improvements	Office Furniture, Fixture and Equipment	Right-of-Use Assets	CIP	Total
December 31, 2020								
Cost or revalued amounts	P 1,413,263,540	P 24,288,666,979	P 203,874,640	P 241,458,310	P 169,464,662	P 2,510,590,594	P 614,910,758	P 29,442,229,483
Accumulated depreciation and amortization	-	(7,292,932,976)	(120,444,864)	(63,897,050)	(133,154,660)	(272,810,863)	-	(7,883,240,413)
Accumulated impairment loss	-	(55,282,310)	-	-	-	-	-	(55,282,310)
Net carrying amount	**P 1,413,263,540**	**P 16,940,451,693**	**P 83,429,776**	**P 177,561,260**	**P 36,310,002**	**P 2,237,779,731**	**P 614,910,758**	**P 21,503,706,760**
December 31, 2019								
Cost or revalued amounts	P 1,413,263,540	P 25,093,661,385	P 182,402,234	P 228,140,385	P 162,911,778	P 1,234,591,265	P 1,280,335,958	P 29,595,306,545
Accumulated depreciation and amortization	-	(6,372,257,267)	(85,960,943)	(44,761,043)	(107,326,845)	(43,987,279)	-	(6,654,293,377)
Accumulated impairment loss	-	(101,274,871)	-	-	-	-	-	(101,274,871)
Net carrying amount	P 1,413,263,540	P 18,620,129,247	P 96,441,291	P 183,379,342	P 55,584,933	P 1,190,603,986	P 1,280,335,958	P 22,839,738,297
January 1, 2019								
Cost or revalued amounts	P 1,383,120,059	P 17,474,604,261	P 159,722,803	P 101,709,707	P 168,388,806	P 192,582,840	P 1,332,056,903	P 20,812,185,379
Accumulated depreciation and amortization	-	(3,119,163,120)	(56,951,215)	(36,449,898)	(100,926,529)	-	-	(3,313,490,762)
Accumulated impairment loss	-	(2,214,620)	-	-	-	-	-	(2,214,620)
Net carrying amount	P 1,383,120,059	P 14,353,226,521	P 102,771,588	P 65,259,809	P 67,462,277	P 192,582,840	P 1,332,056,903	P 17,496,479,997

A reconciliation of the carrying amounts of property and equipment at the beginning and end of 2020 and 2019 is shown below.

	Land	Vessels and Vessel Equipment	Transportation Equipment	Building and Leasehold Improvements	Office Furniture, Fixture and Equipment	Right-of-Use Assets	CIP	Total
Balance at January 1, 2020, net of accumulated depreciation and amortization and impairment losses								
As previously restated	P 1,413,263,540	P 18,695,396,505	P 96,441,291	P 183,379,342	P 55,584,933	P 1,190,603,986	P 1,280,335,958	P 22,915,005,555
Effect of restatement (see Note 2.1)	-	(75,267,258)	-	-	-	-	-	(75,267,258)
As restated	1,413,263,540	18,620,129,247	96,441,291	183,379,342	55,584,933	1,190,603,986	1,280,335,958	22,839,738,297
Additions	-	174,876,153	26,769,951	11,865,670	9,009,002	1,086,351,232	19,175,822	1,328,047,830
Revaluation decrement	-	(297,170,375)	-	-	-	-	-	(297,170,375)
Reclassification	-	25,449,023	-	-	-	119,954,536	(242,305,965)	(96,902,406)
Disposals	-	-	-	-	-	-	(442,295,057)	(442,295,057)
Retirement	-	(84,189,209)	-	-	-	-	-	(84,189,209)
Impairment losses	-	(70,755,801)	-	-	-	-	-	(70,755,801)
Depreciation and amortization charges for the year	-	(1,427,887,345)	(39,781,466)	(17,683,752)	(28,283,933)	(159,130,023)	-	(1,672,766,519)
Balance at December 31, 2020, net of accumulated depreciation and amortization and impairment losses	**P 1,413,263,540**	**P 16,940,451,693**	**P 83,429,776**	**P 177,561,260**	**P 36,310,002**	**P 2,237,779,731**	**P 614,910,758**	**P 21,503,706,760**
Balance at January 1, 2019, net of accumulated depreciation and amortization and impairment losses	1,383,120,059	14,353,226,521	102,771,588	65,259,809	67,462,277	P 192,582,840	1,332,056,903	17,496,479,997
Balance from acquired subsidiary at September 30, 2019, net of accumulated depreciation and amortization	-	869,201,169	45,030	460,523	685,519	-	33,949,699	904,341,940
Additions	30,143,481	2,805,421,415	23,769,469	125,553,740	17,744,218	1,042,008,425	1,071,988,115	5,116,628,863
Reclassification	-	1,157,658,759	-	-	-	-	(1,157,658,759)	-
Revaluation increment	-	632,951,901	-	-	-	-	-	632,951,901
Disposals	-	(27,825,807)	(1,392,391)	-	(4,759,369)	-	-	(33,977,567)
Impairment loss	-	(7,394,742)	-	-	-	-	-	(7,394,742)
Reversal of impairment loss	-	2,214,620	-	-	-	-	-	2,214,620
Depreciation and amortization charges for the year	-	(1,165,324,589)	(28,752,405)	(7,894,730)	(25,547,712)	(43,987,279)	-	(1,271,506,715)
Balance at December 31, 2019, net of accumulated depreciation and amortization and impairment losses	P 1,413,263,540	P 18,620,129,247	P 96,441,291	P 183,379,342	P 55,584,933	P 1,190,603,986	P 1,280,335,958	P 22,839,738,297

The fair values of the Group’s vessels were based on the latest appraisal reports as shown below.

Name of Vessel	**Date of Report**	**Net Appraised Values**
MV Asia Pacific	March 29, 2021	P 77,673,000
MV Trans-Asia 17	March 24, 2021	248,382,000
MV Trans-Asia 18	March 19, 2021	744,312,000
MV Starlite Pioneer	March 19, 2021	433,538,000
MT Excellence	March 17, 2021	148,000,000
MT Denise	March 17, 2021	194,000,000
MV Starlite Jupiter	February 10, 2021	26,953,000
MT Great Princess	December 31, 2020	866,531,000
MT Great Diamond	December 31, 2020	817,051,000
MT Chelsea Dominance	January 22, 2020	591,114,000
MV San Nicolas of Myra	January 22, 2020	304,133,000
MT Chelsea Cherylyn	January 15, 2020	843,000,000
MV St. Nuriel	January 14, 2020	67,011,000
MV St. Uriel	January 14, 2020	35,109,000
MV St. Sealthiel	January 14, 2020	76,584,000
MV St. Jhudiel	January 14, 2020	69,084,000
MV St. Bracquel	January 14, 2020	69,084,000
MV St. Emmanuel	January 14, 2020	56,700,000
MV St. Camael	January 14, 2020	200,209,000
MV St. Sariel	January 14, 2020	20,209,000
MV St. Dominic	January 14, 2020	56,174,000
MV St. Micah	January 14, 2020	57,800,000
M/Tug Fortis IX	December 23, 2019	78,000,000
M/Tug Fortis XV	December 23, 2019	60,000,000
M/Tug Fortis III	December 16, 2019	35,000,000
M/Tug Fortis V	December 16, 2019	80,000,000

Name of Vessel	Date of Report	Net Appraised Values
MV Starlite Pacific	November 28, 2019	33,691,000
MT Chelsea Charlize	November 20, 2019	384,970,000
MV Starlite Stella Del Mar	November 19, 2019	578,865,000
MV Starlite Tamaraw	November 15, 2019	21,573,000
MV Asia Philippines	November 11, 2019	73,000,000
MV Trans-Asia 10	October 24, 2019	157,378,000
MT BMI Patricia	July 26, 2019	55,500,000
MT Jasaan	July 27, 2019	42,500,000
MV Trans-Asia 12	July 13, 2019	95,000,000
MV Trans-Asia 8	July 08, 2019	100,000,000
M/Tug Fortis VI	June 27, 2019	70,000,000
M/Tug Fortis VII	June 27, 2019	58,000,000
M/Tug Fortis VIII	June 27, 2019	74,000,000
M/Tug Fortis X	June 27, 2019	85,000,000
MT Chelsea Endurance	May 30, 2019	330,000,000
MV Starlite Saturn	May 23, 2019	441,830,000
MV Starlite Annapolis	May 20, 2019	75,691,000
MV Starlite Archer	May 20, 2019	460,746,000
MV Starlite Reliance	May 20, 2019	441,975,000
MT Chelsea Denise II	March 26, 2019	442,000,000
MV Starlite Eagle	March 25, 2019	449,808,000
MV Trans-Asia 2	February 15, 2019	90,000,000
MV Trans-Asia 3	February 14, 2019	200,000,000
M/Tug Pindasan	February 1, 2019	35,787,000
M/Tug Samal	February 1, 2019	29,757,000
M/Tug Sigaboy	February 1, 2019	20,676,000
MT Chelsea Enterprise	January 31, 2019	135,000,000
M/Tug Fortis I	December 14, 2018	82,000,000
M/Tug Fortis II	December 14, 2018	80,000,000
MT Chelsea Intrepid	December 20, 2018	120,000,000
MT Ernesto Uno	May 29, 2018	152,000,000
MT Chelsea Resolute	January 10, 2018	255,000,000

Revaluation increments and decrements arising from the revaluations above were recognized directly in the Equity section under Revaluation Reserves account (see Note 22.2).

Management believes that there is no significant change in the fair values of the Group's vessels since the dates of their last appraisals. Meanwhile, M/Tug Fortis I, M/Tug Fortis II, MV Chelsea Intrepid, MT Ernesto Uno and MT Chelsea Resolute are still undergoing drydocking as of December 31, 2020; hence, no latest appraisals are available.

In 2020, the Group also performed an internal valuation of vessels MT Great Princess and MT Great Diamond, using income approach. Fair values of these vessels are determined to be P866.5 million and P817.1 million, respectively (see Note 29.4).

In 2019, the Group acquired new vessels, which have not yet been subjected to appraisals as management believes that the acquisition costs amounting to P1,746.4 million approximate their fair values.

If the Group's vessels and vessel equipment were measured under the cost model, the cost, accumulated depreciation, accumulated impairment losses and net carrying amount as of December 31, 2020 and 2019 are as follows:

	2020	2019
Cost	**P19,164,300,525**	P 20,438,660,970
Accumulated depreciation	**(4,666,853,381)**	(4,391,704,916)
Accumulated impairment losses	**(55,282,310)**	(7,394,742)
Net carrying amount	**P14,442,164,834**	P 16,039,561,312

Depreciation and amortization is classified in the consolidated statements of profit and loss as follows:

	Notes	**2020**	2019	2018
Cost of sales and services	16	**P 1,558,782,765**	P 1,213,397,083	P 835,719,005
Other operating expenses		**116,939,090**	59,185,715	32,339,069
	17	**P 1,675,721,855**	P 1,272,582,798	P 868,058,074

Certain vessels of the Group with a total net carrying amount of P12,803.3 million and P11,259.3 million as of December 31, 2020 and 2019, respectively, were used to secure the payment of certain interest-bearing loans and borrowings (see Note 13).

Capitalized borrowing costs amounted to P65.6 million as of December 31, 2019 (nil in 2020) and is recognized using a capitalization rate of 7.74% (see Note 13.1).

In 2020, the Group sold a floating dock previously recognized under CIP to a third party for a total consideration of P491.1 million and recognized a gain on sale of the property and equipment amounting to P48.8 million. In addition, the Group has sold certain transportation equipment with zero net book value for a total amount of P1.3 million. In 2019, the Group also disposed various property and equipment and recognized gain on sale amounting to P30.9 million (see Note 19.3).

In 2020, the Group reclassified certain vessels with net carrying amount of P96.9 million to Non-current Asset Held for Sale account in the 2020 consolidated statement of financial position to reflect the plan of management to recover the asset principally through sale (see Note 11). No similar transaction was noted in 2019.

In 2020, the Group retired two of its passenger vessels, M/V St. Nuriel and M/V St. Dominic, from its vessel fleet after they capsized in Mabini, Batangas due to typhoon. The carrying value of M/V St. Nuriel and St. Dominic, which was retired in October 2020 amounted to P47.3 million and P36.9 million, respectively. Gain on retirement, after recognition of insurance claims of P108.1 million, amounted to P23.9 million and is presented under Other Income account in the Other Income (Charges) section of the 2020 consolidated statement of profit or loss (see Note 19.3).

Due to the current pandemic, certain vessels of the Group with a total net carrying amount of P1,936.3 million were temporarily idle and laid up as of December 31, 2020.

The management has assessed that the cost of fully depreciated property and equipment that are still in use in operations is insignificant to the consolidated financial statements.

10. INVESTMENTS IN ASSOCIATES AND A JOINT VENTURE

The carrying value of the Group's investments in associates and a joint venture as of the end of the reporting periods follows:

	2020	2019
Associates:		
KGLI-NM		
Cost	**P 2,104,212,296**	P 2,104,212,296
Accumulated equity share in the total comprehensive income from previous years	**(624,340,199)**	(346,960,795)
Equity share in net loss	**(205,833,288)**	(250,901,194)
Consolidation of KGLI-NM	**(1,274,038,809)**	-
Equity share in OCI	**-**	(26,478,210)
	-	1,479,872,097
DHC		
Cost	**1,041,666,665**	1,041,666,665
Equity share in net loss	**(149,440,722)**	-
	892,225,943	1,041,666,665
Dito		
Cost	**4,106,249,866**	4,106,249,866
Accumulated equity share in the total comprehensive income from previous years	**(292,520,586)**	-
Equity share in net loss	**(691,094,566)**	(232,254,791)
Disposal	**(3,122,634,714)**	-
Equity share in stock issuance costs	**-**	(60,265,795)
	-	3,813,729,380
Joint venture – Meridian Maritime Training Center (Meridian)	**81,001,440**	81,001,440
	P 973,227,383	P 6,416,269,582

On March 27, 2017, the Company acquired all of UIBV's outstanding capital stock through a share swap agreement with Udenna wherein Udenna transferred to the Company 18,200 UIBV shares. In exchange, the Company issued 775,384,615 new common shares from its authorized and unissued capital stock in favor of Udenna. UIBV owns 80% economic interest and 39.97% of the voting rights in KGLI-NM, which holds 35.22% economic interest in 2GO. Hence, the Company has a 28.18% indirect economic interest in 2GO (see Note 22.1).

On May 11, 2020, the Company acquired the Preferred C shares of KGLI-NM from its previous owner for a total consideration of P0.2 million. The acquisition resulted in a substantial increase in the effective voting rights of the Group from 39.71% in 2019 to 90.07% in 2020; hence, management assessed that it has control over KGLI-NM and was consolidated for the year ended December 31, 2020. Such acquisition was considered as a business combination achieved in stages (otherwise known as step-acquisition). Accordingly, the carrying value of the investment in associate was derecognized upon consolidation (see Note 25).

On May 10, 2019, the Company subscribed to 40,833,333 common shares and 22,916,666 preferred voting shares or equivalent to 25% interest of Dito's authorized capital stock for a total amount of P4.1 billion. Out of the subscribed shares, P3.6 billion worth of shares remained unpaid as of December 31, 2019 and is presented as part of Subscription payable under Trade and Other Payables in the 2019 consolidated statement of financial position (see Note 14).

Subsequently, on October 30, 2020, the BOD approved the sale by the Company of all its common and preferred voting shares in Dito to DHC, for a total consideration of P532.3 million, which is equivalent to the Company's paid up portion of its total subscribed shares in Dito. DHC will also assume the outstanding subscription payable amounting to P3.6 billion. Portion of the proceeds were offset against outstanding advances of DHC to the Company. The Deed of Assignment was executed by the Company and DHC on November 11, 2020. The gain on the sale of the investment in Dito amounting to P983.6 million was recognized under Other Income (Charges) section in the 2020 consolidated statement of profit or loss.

On October 4, 2019, the Company subscribed to 1,041,666,665 common shares or equivalent to 41.67% interest of DHC's authorized capital stock for a total amount of P1.0 billion. Out of the subscribed shares, P781.2 million worth of shares remains unpaid as of December 31, 2020 and 2019 and is presented as part of Subscription payable under Trade and Other Payables in the consolidated statements of financial position (see Note 14). In 2020, Udenna CME, a related party with common ownership, subscribed to additional common shares in DHC, causing the dilution of the Group's effective ownership from 41.67% in 2019 to 10.54% in 2020. Management assessed that the Group still exercises significant influence over DHC; hence, is still recognized as an investment in associate. The Group now indirectly holds 6.32% interest in Dito through its 10.54% ownership in DHC.

The carrying amount of the identifiable assets and liabilities of Dito and DHC upon acquisition approximates their respective fair values.

Presented below are the financial information of the Group's associates as of December 31, 2020 and 2019 (in thousands).

	KGLI-NM	Dito	DHC	Total
December 31, 2020				
Total current assets	P -	P -	P 625,000	P 625,000
Total non-current assets	-	-	9,934,999	9,934,999
Total assets	P -	P -	P 10,559,999	P 10,559,999
Total current liabilities	P -	P -	P 8,243,407	P 8,243,407
Total non-current liabilities	-	-	-	-
Total liabilities	P -	P -	P 8,243,407	P 8,243,407
Total revenues	P -	P -	P -	P -
Net loss	P -	P -	P 147,942	P 147,942
December 31, 2019				
Total current assets	P 7,846,952	P 1,323,845	P 625,000	P 9,795,797
Total non-current assets	8,555,600	12,625,137	-	21,180,737
Total assets	P 16,402,552	P 13,948,982	P 625,000	P 30,976,534
Total current liabilities	P 8,883,408	P 376,841	P -	P 9,260,249
Total non-current liabilities	3,962,993	765,839	-	4,728,832
Total liabilities	P 12,846,401	P 1,142,680	P -	P 13,989,081
Total revenues	P 21,409,914	P -	P -	P 21,409,914
Net loss	P 890,352	P 929,019	P -	P 1,819,371

A reconciliation of the summarized financial information of DHC to the carrying amount of investment in the Group is shown below (in thousands).

	2020	2019
Net assets of DHC	**P 2,276,592**	P 625,000
Direct ownership interest	**10.54%**	41.67%
Share in net assets of DHC	**239,953**	260,417
Carrying amount of investment in DHC, net of subscription payable	**(110,976)**	(260,417)
Share in net losses of Dito, as indirect associate	**(128,977)**	-
	P -	P -

As of December 31, 2019, the Group's share in KGLI-NM and Dito's net assets amounted to P1,002.1 million and P3,202.6 million, respectively. The excess of the carrying value of the Group's investments over the Group's share in net assets is attributable to notional goodwill and subsequent changes in ownership interest.

No dividends were received from the Group's associates during the years 2020, 2019 and 2018. The Group's associates are all private companies; therefore, no quoted market prices are available for these shares.

In 2016, CSC entered into a Memorandum of Agreement with Meridian whereby both parties agreed to establish and operate a training facility on a parcel of land at the Calaca Seaport in Calaca, Batangas. The training facility shall be called the Meridian Maritime Training Center. The establishment of the facility shall have a total project cost of P50.0 million, which will be financed by CSC and any profits will be distributed 70% to CSC and 30% to Meridian until such time that CSC achieves 100% return on investment, after which, profit sharing will be 50% both to CSC and Meridian. CSC made additional investments in the Meridian amounting to P17.1 million in 2019 (nil in 2020).

No share in profit or loss was recognized from the investment in joint venture as the facility is still under construction and expenses recognized are not significant as of December 31, 2020 and 2019.

The Group does not have any restriction on the ability to access or use assets and settle liabilities of the associates and joint venture.

As of December 31, 2020 and 2019, management assessed that the investments in associates and a joint venture are not impaired.

11. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

Noncurrent assets classified as held for sale consist of the Group's investment in 2GO previously recognized as an associate (through KGLI-NM), including the corresponding goodwill attributable to such investment (accounted for as a disposal group), and certain vessels previously used by TASLI and SFFC that the management of the respective companies approved to be sold. The carrying value of these assets were all measured at lower of their carrying amount and fair value less cost to sell.

The carrying amounts of the assets as of December 31, 2020 are as follows:

	Notes	
Investment in 2GO	25	P 7,306,294,365
Property and equipment:	9	
MV Lapu-Lapu Uno		56,250,001
MV Trans-Asia 5		28,733,405
MV Supercat 36		11,919,000
Total		**P 7,403,196,771**

On January 15, 2021, TASLI has sold Trans-Asia 5 to a third party. The remaining vessels are expected to be sold within 12 months.

On March 18, 2021, the Group entered into a share purchase agreement (SPA) with a third party for the sale of the Group's investment in 2GO. The Group will be completing the sale conditions within three months from the date of the SPA.

The investment in 2Go is included in the investing and other activities segment, while the three vessels are included in the roll-on/roll-off passenger segment.

There were also no revenues and expenses after the reclassification that are associated with these assets.

12. OTHER NON-CURRENT ASSETS

This account is composed of the following:

	Notes	**2020**	2019
Advances to suppliers	24.7	**P 248,131,959**	P 279,567,940
Deferred input VAT		**103,683,062**	54,657,288
Security deposits	21.3	**88,046,332**	136,616,637
Software, net of amortization		**32,911,807**	27,753,354
Restricted cash	4	**335,112**	14,500,000
Others		**4,351,324**	9,243,062
		P 477,459,596	P 522,338,281

Advances to suppliers include down payments made to suppliers for the acquisition and construction of long-term assets, which include vessels and parcels of land.

Security deposits include rental deposits and guarantee deposits for the Group's ongoing projects.

Software refers to computer software licenses and software development costs, net of amortization. A reconciliation of the carrying amount of software at the beginning and end of 2020 and 2019 is shown below.

	Note	2020	2019
Balance at beginning of year		**P 27,753,354**	P 28,829,437
Additions		**8,278,650**	-
Amortization during the year	17	**(3,120,197)**	(1,076,083)
Balance at end of year		**P 32,911,807**	P 27,753,354

Restricted cash represents bank accounts that are reserved for debt service requirements in relation to certain loans of the Group (see Note 13.1).

13. INTEREST-BEARING LOANS AND BORROWINGS

The short-term and long-term interest-bearing loans and borrowings are broken down as follows:

	Note	2020	2019
Current:			
Bank loans	13.2	**P 4,868,416,676**	P 4,043,147,077
Term loans	13.1	**1,342,867,834**	1,924,295,582
Lease liabilities	13.4	**192,588,562**	111,246,482
Mortgage loans	13.3	**40,790,307**	45,811,426
		6,444,663,379	6,124,500,567
Non-current:			
Term loans	13.1	**8,644,055,581**	8,874,595,628
Lease liabilities	13.4	**1,759,416,021**	1,123,285,149
Mortgage loans	13.3	**158,836,245**	184,739,848
		P10,562,307,847	10,182,620,625
		P17,006,971,226	P 16,307,121,192

A reconciliation of the carrying amounts of interest-bearing loans and borrowings at the beginning and end of December 31, 2020, 2019 and 2018 is shown below.

	Term loans (see Note 13.1)	Bank loans (see Note 13.2)	Mortgage loans (see Note 13.3)	Lease Liabilities (see Note 13.4)	Total
Balance as of January 1, 2020	P 10,798,891,210	P 4,043,147,077	P 230,551,274	P 1,234,531,631	P 16,307,121,192
Cash flows from financing activities:					
Additions	47,873,000	201,024,937	26,769,951	-	275,667,888
Repayments	(246,453,375)	(75,755,338)	(80,319,172)	(368,878,280)	(771,406,165)
	(198,580,375)	125,269,599	(53,549,221)	(368,878,280)	(495,738,277)
Non-cash financing activities:					
Additions	-	-	22,624,499	1,086,351,232	1,108,975,731
Loss on modification of debts	86,612,580	-	-	-	86,612,580
Reclassification	(700,000,000)	700,000,000	-	-	-
	(613,387,420)	700,000,000	22,624,499	1,086,351,232	1,195,588,311
Balance at December 31, 2020	**P 9,986,923,415**	**P 4,868,416,676**	**P 199,626,552**	**P 1,952,004,583**	**P 17,006,971,226**
Balance as of January 1, 2019	P 10,485,492,375	P 4,894,210,434	P 180,277,802	P 59,881,242	P 15,619,861,853
Cash flows from financing activities:					
Additions	913,094,452	1,480,068,901	-	-	2,393,163,353
Repayments	(926,196,358)	(2,302,192,849)	(50,230,413)	(28,625,571)	(3,307,245,190)
	(13,101,906)	(822,123,948)	(50,230,413)	(28,625,571)	(914,081,837)
Non-cash financing activities:					
Balance from acquired subsidiaries	335,740,741	50,000,000	-	-	385,740,741
Effect of adoption of PFRS 16	-	-	-	213,630,458	213,630,458
Additions	-	-	21,564,476	989,645,502	1,011,209,978
Reclassification	-	(78,939,409)	78,939,409	-	-
Restatement of foreign currency denominated loans	(9,240,000)	-	-	-	(9,240,000)
	326,500,741	(28,939,409)	100,503,885	1,203,275,960	1,601,341,177
Balance at December 31, 2019	P 10,798,891,210	P 4,043,147,077	P 230,551,274	P 1,234,531,631	P 16,307,121,192
Balance as of January 1, 2018	P 7,714,366,413	P 2,455,814,577	P 161,979,645	P -	P 10,332,160,635
Cash flows from financing activities:					
Additions	2,975,255,891	2,723,117,984	-	-	5,698,373,875
Repayments	(958,215,289)	(284,722,127)	(21,885,205)	(16,924,358)	(1,281,746,979)
	2,017,040,602	2,438,395,857	(21,885,205)	(16,924,358)	4,416,626,896
Non-cash financing activities:					
Balance from acquired subsidiaries	777,327,957	-	-	-	777,327,957
Additions	-	-	40,183,362	76,805,600	116,988,962
Restatement of foreign currency denominated loans	(23,242,597)	-	-	-	(23,242,597)
	754,085,360	-	40,183,362	76,805,600	871,074,322
Balance at December 31, 2018	P 10,485,492,375	P 4,894,210,434	P 180,277,802	P 59,881,242	P 15,619,861,853

The Group has taken necessary steps to soften the impact of the COVID-19 pandemic on its financial condition. It invoked the provisions of the recently approved RA No. 11469 and No. 11494, otherwise known as *Bayanihan To Heal As One Act* and *Bayanihan to Recover as One Act*, respectively, which allowed the Group to extend for a minimum of thirty (30) days the currently maturing debt obligations, including interest. It also availed of the “DBP RESPONSE (Rehabilitation Support On Severe Events)” program, wherein the borrower may defer its loan repayment of up to six months with the option for restructuring in case the borrower is not able to recover within six months. Lastly, the Group has negotiated with banks for the refinancing, extension, or temporary relief of its loan obligations. The results of these negotiations have been reflected in the subsequent sections.

13.1 *Term Loans*

The details of the Group's term loans as of December 31, 2020 and 2019 are as follows:

	Notes	Security	Terms	Interest Rates	Outstanding Balance 2020	Outstanding Balance 2019
China Banking Corporation (CBC)	(b.2)	Continuing Suretyship/ MT Chelsea Great Princess/ MT Chelsea Charlize/ MT Chelsea Resolute/ MT Chelsea Enterprise/ MT Chelsea Excellence/ MT Chelsea Enesto Uno/ MT Chelsea Jasaan	7 years	6.75%	**P 1,926,396,728**	P 1,665,000,000
Development Bank of the Philippines (DBP)	(f.4)	MT Chelsea Providence	15 years	6.50%	**1,446,428,571**	1,473,214,286
Philippine Business Bank (PBB)	(c.2)	MV Eagle, FD Exuberance MV Archer, MV Saturn	10 years	7.50%	**813,238,917**	843,799,503
CBC	(b.4)	Real Estate Mortgage	15 years	7.25%	**800,000,000**	800,000,000
DBP	(f.3)	Trans - Asia 16, 17 and 18	15 years	6.50%	**584,892,857**	595,928,571
DBP	(f.2)	MV San Pedro Calungsod MV San Lorenzo Ruis Uno MV St. Nicholas of Myra	15 years	6.50%	**526,329,569**	532,875,621
DBP	(f.1)	MV Pioneer, MV Reliance	15 years	6.95%	**521,280,000**	529,400,000
PBB	(c.4)	MV Salve Regina	15 years	7.00%	**460,000,000**	460,000,000
BDO Unibank, Inc. (BDO)	(a.2)	Trans - Asia 1 and 10	10 years	4.25%	**340,323,661**	364,179,579
DBP	(f.5)	MV St. Camael and MV St. Sariel	15 years	6.50%	**322,037,037**	328,888,889
PBB	(c.3)	MV Stella Del Mar	15 years	7.00%	**309,222,352**	309,222,352
Mega International Commercial Bank Co. (MICBC)	(e)	Continuing Suretyship	5 years	6.10%	**247,500,000**	258,750,000
Robinsons Bank Corporation (RBC)	(e)	Continuing Suretyship	5 years	6.10%	**247,500,000**	258,750,000
CTBC Bank (Phils) Inc. (CTBC)	(e)	Continuing Suretyship	5 years	4.09%	**247,500,000**	258,750,000
CBC	(b.3)	Trans-Asia 15	10 years	7.00%	**228,703,704**	242,129,630
PBB	(c.1)	MT Chelsea Dominance	7 years	6.06%	**227,048,850**	243,266,625
PBB	(c.1)	MT Chelsea Endurance	7 years	6.06%	**192,578,750**	206,334,375
First Commercial Bank, Ltd. (FCB)	(e)	Continuing Suretyship	5 years	6.10%	**165,000,000**	172,500,000
Rizal Commercial Banking Corp.	(g)	Starlite Sprint I	7 years	9.50%	**111,507,790**	113,094,452
BDO	(a.1)	MT Chelsea Denise II	2 years	5.50%	**90,842,500**	103,820,000
Asia United Bank (AUB)	(d)	MTug Fortis VI, MTug Fortis VII and MTug Fortis VIII	7 years	5.56%	**52,116,556**	62,539,867
AUB	(d)	MTug Fortis IX and Mtug Fortis X	7 years	7.07%	**44,328,852**	-
AUB	(d)	MTug Fortis III and MTug Fortis V	7 years	5.56%	**38,722,682**	46,464,133
CBC	(b.1)	MT Chelsea Charlize	7 years	3.25%	**-**	236,805,333
PBB		Unsecured	15 years	7.00%	**-**	749,689,849
					9,943,499,376	10,855,403,064
Premium (discount) on loans payable					**43,424,039**	(56,511,854)
					P 9,986,923,415	P 10,798,891,210

(a) *Omnibus Loan and Security Agreement (OLSA) with BDO*

a.1. PNX-Chelsea - MT Chelsea Denise II

In 2014, PNX-Chelsea entered into a Memorandum of Agreement (MOA) with China Shipbuilding & Exports Corporation for the importation of one unit of oil tank vessel (MT Chelsea Denise II) from China for a total cost of US$7,300,000. In connection with the MOA, PNX-Chelsea executed another OLSA with the same local bank for P300.0 million to finance the acquisition of MT Chelsea Denise II in 2014. The loan is subject to effective interest rate of 6.46% per annum and is payable for a quarterly basis for five periods commencing at the end of the fourth quarter of 2015.

On March 24, 2020, PNX-Chelsea and BDO entered into another OLSA to refinance the outstanding loan balance of P103.8 million for another two years. The new loan is payable in eight equal quarterly principal installments, bears an interest rate of 5.5% per annum, and secured by a chattel mortgage on MT Chelsea Denise II with net carrying amounts of P462.3 million and P506.3 million as of December 31, 2020 and 2019, respectively (see Note 9). In addition, the OLSA provides that PNX-Chelsea should maintain a debt-to-equity ratio of not more than 2.00:1.00 and a debt service coverage ratio (DSCR) of at least 1.00.

In June and December 2020, BDO approved the deferment of the 1st and 2nd installment payments in response to the application by the Group for the reprieve of debt payments under RA No. 11469 and 11494.

a.2. TASLI - Trans-Asia 1 and 10

In 2014, Trans-Asia availed loans from BDO for the acquisition of MV Trans-Asia 10 totaling to P120.0 million at an interest rate of 4.5% per annum. Also, a loan amounting to P79.7 million was obtained from BDO to provide financing to Oceanstar for the purchase of MV Trans-Asia 8 and 9. Principal and interest payments on these loans are made monthly. Further, Trans-Asia made additional loans from BDO totaling to P263.5 million in 2016 at an interest rate of 4.25% per annum. Principal payments are made monthly with a grace period of one year and interest on these loans is payable monthly in arrears.

Certain vessels with a net carrying amount of P834.7 million and P156.6 million as of December 31, 2020 and 2019, respectively, were used as collateral to secure the payment of these loans (see Note 9). These loans do not contain any financial covenants.

In response to RA 11469, Trans-Asia and BDO entered into an agreement, revising the interest payment schedules in which 40% of all unpaid interest as of July 30, 2020 were to be paid equally without interest on interest between August and December 2020 and the remaining 60% would be paid in equal monthly basis with interest on interest from January 2021 to June 2021.

(b) Term Loan Agreement (TLA) or OLSA with CBC

b.1. PNX - Chelsea - MT Chelsea Charlize

On May 23, 2016, PNX-Chelsea signed a loan agreement with CBC amounting to US$8.0 million to finance the acquisition of MT Chelsea Charlize. The loan is subject to annual interest rate of 3.25% and is payable in 24 equal quarterly installments commencing on August 23, 2017.

On October 1, 2020, CSC and PNX-Chelsea entered into a loan agreement with CBC wherein the latter approved the restructuring of the existing loans of the former. In favor of PNX-Chelsea, the outstanding loan amounting to US$4.3 million was transferred to CSC.

Debt issuance costs amounted to P13.5 million, of which P0.3 million and P0.4 million were amortized in 2020 and 2019, respectively, using the effective interest rates of 5.50%. Amortized debt issuance costs were recognized as part of Interest expense on Interest-bearing loans under the Finance Costs account in the consolidated statements of profit or loss (see Note 19.1). Unamortized debt issuance costs are deducted from the current and non-current portion of the related interest-bearing loans. The loan does not include any financial covenants.

The loan is secured by a chattel mortgage on MT Chelsea Charlize with net carrying amount of P383.3 million as of December 31, 2019 (see Note 9).

By virtue of RA 11469 and 11494, all principal installments due in the 2nd and 3rd quarters have been deferred and the Group had been allowed token payments on interest due during the period.

b.2. CSC - CSC's outstanding shares

In 2016, the Company obtained a P1.8 billion loan from CBC to finance the acquisition of the outstanding shares of CSC. The loan is subject to annual interest rate of 4.50% and is payable on a lump sum basis in 181 days. The loan is secured by means of mortgage, pledge, assignment or any other form of encumbrance upon any and all properties or assets of the Company's Chairman of the BOD [see Note 21.9(a)].

In 2017, the Company converted its P1.8 billion bank loan to a six-year term loan with a grace period of four quarters commencing from the date of conversion. The principal is payable in quarterly installments with balloon payment at maturity and shall commence on the quarter after the grace period with the interest paid in arrears. The loan is secured by the same properties as mentioned in the initial bank loan.

On October 1, 2020, the bank approved the CSC's request for the refinancing of outstanding loan obligations of CSC for a total of P1.9 billion, including unpaid interest. The principal payments begin on the 3rd anniversary with the following sculpted repayment schedule: year 3 - 5%; year 4 - 10%; year 5 - 20%; year 6 - 25%; and year 7 - 40%. The restructured loan is subject to annual interest rate of 6.75%. The restructuring resulted to a loss on debt modification amounting to P86.6 million and recognized as part of Other Income (Charges) section of the 2020 consolidated statement of profit or loss.

The restructured loan is secured by the same properties as mentioned in the initial bank loan with chattel mortgage of certain vessels amounting to P1,725.8 million and assignment of certain receivables amounting to P491.0 million as of December 31, 2020. The agreement requires CSC to maintain debt-to-equity ratio of not more than 3.00:1.00 and DSCR of not less than 1:00 in its consolidated financial statements.

b.3. TASLI - Trans-Asia 15

On October 2, 2018, Trans-Asia obtained a long-term loan from CBC amounting to P200.0 million to fund its acquisition of vessels. The loan is subject to annual interest rate of 7.00% and is payable monthly in arrears up to 10 years from the initial drawdown, inclusive of one-year grace period from the date of drawdown. Principal shall be repayable in equal monthly amortizations to commence at the end of the 13th month of the drawdown.

On August 30, 2019, Trans-Asia obtained additional loan from the same bank amounting to P50.0 million to fund its acquisition of vessels. The loan is subject to annual interest rate of 7.00% and is payable monthly in arrears up to four years from the date of drawdown. Principal shall be repayable in equal monthly amortizations to commence at the end of the 13th month of the drawdown. These loans do not contain any financial covenants.

Certain vessel with a net carrying amount of P288.9 million and P301.1 million as of December 31, 2020 and 2019, respectively, was used as collateral to secure the payment of these loans (see Note 9).

b.4. CLC and WSI

On August 27, 2019, CLC and WSI entered into a loan agreement with CBC to finance the acquisition of a real estate property and for the construction of a warehouse facility on the said property amounting to P800.0 million and P450.0 million, respectively. The loan is subject to a fixed interest rate of 7.25% for the first ten years and subject to repricing for the remaining five years. On the interest rate resetting date, the interest rate shall be repriced and determined based on the higher of the benchmark rate and interest spread of 250 bps, divided by the interest premium of factor of 95% or a floor rate of 7.25%. The loan is payable on a quarterly basis up to 15 years from the initial drawdown, inclusive of two-years grace period from the date of signing. As of December 31, 2020 and 2019, CLC has total drawdown amounting to P800.0 million from the term loan facility. The agreement requires CLC, in its consolidated financial statements, to maintain debt-to-equity ratio of not more than 3.00:1.00 and DSCR of not less than 1:25.

The property of the Company with net carrying amount of P1,199.5 million as of December 31, 2020 and 2019 was used as a collateral to secure payment of this loan (see Note 9). The loan agreement also requires the Company to maintain a reserve accounts specifically for payment of principal and interest; such amounts are presented as part of Restricted cash under the Other Current Assets and Other Non-current Assets accounts in the consolidated statements of financial position (see Notes 8 and 12).

(c) TLA with PBB

c.1. PNX - Chelsea - MT Chelsea Endurance and MT Chelsea Dominance

On July 25, 2016 and August 18, 2016, PNX-Chelsea entered into term loan agreements with PBB amounting to US$6.5 million and US$7.6 million to finance the acquisition of MT Chelsea Endurance and MT Chelsea Dominance, respectively. On the anniversary year, these loans were converted into peso loans. The loans are subject to annual effective interest rate of 6.06% and are payable in 24 equal quarterly installments with one-year grace period from date of each release. The loans do not include any financial covenants.

The loans are secured by a chattel mortgage on MT Chelsea Endurance and MT Chelsea Dominance with net carrying amounts totalling P866.6 million and P909.0 million, as of December 31, 2020 and 2019, respectively (See Note 9).

c.2. SFI – MV Eagle, MV Archer and MV Saturn

In 2015, Starlite entered into a 10-year term loan agreement amounting to P1,037.4 million with PBB to finance the acquisition of MV Eagle, MV Archer and MV Saturn. The loans are subject to a fixed interest rate of 7.5% and the principal is payable in arrears.

In 2017, Starlite obtained a 15-year term loan agreement amounting to P800.0 million with PBB. The loan is subject to annual interest rate of 7.0% and principal repayments including the interest shall commence on the first quarter after a grace period of one year from the date of availment. The loan does not include any financial covenants.

Certain vessels of Starlite with net carrying amounts of P1,264.8 million and P1,248.2 million as of December 31, 2020 and 2019, respectively, were used as collateral to secure the payment of these loans (see Note 9).

c.3. SPFI – MV Stella Del Mar

In 2017, SPFI entered into a loan agreement with PBB amounting to P368.1 million to finance the acquisition of MV Stella Del Mar. The loan is subject to annual interest rate of 7.50% and is payable quarterly in arrears up to 10 years from the initial drawdown. Principal repayments shall commence after the grace period of six quarters. The loan does not include any financial covenants.

The vessel of SPFI with net carrying amounts of P550.3 million and P412.2 million as of December 31, 2020 and 2019, respectively, was used as a collateral to secure the payment of this loan (see Note 9).

c.4. SGFI – MV Salve Regina

In 2018, SGFI entered into a loan agreement with PBB amounting to P460.0 million to finance the acquisition of MV Salve Regina. The loan is subject to annual interest rate of 6.50% and is payable quarterly in arrears up to 10 years from the initial drawdown, inclusive of one-year grace period from the date of signing. The loan does not include any financial covenant.

The vessel of SGFI with net carrying amounts of P710.4 million and P778.8 million as of December 31, 2020 and 2019 was used as a collateral to secure the payment of this loan (see Note 9).

All principal amortizations due on the abovementioned loans as of December 31, 2020 have been deferred by virtue of RA No. 11469 and 11494.

(d) TLA with AUB – MTug Fortis III, MTug Fortis V, MTug Fortis VI, MTug Fortis VII, MTug Fortis VIII, MTug Fortis IX and MTug Fortis X

On April 12, 2017, FTC obtained interest-bearing loans amounting to P69.7 million to partially refinance the acquisition of MTug Fortis III and MTug Fortis V. The loan bears fixed interest rate of 5.56% and the principal is payable in 28 quarterly installments.

On October 5, 2018, FTC obtained additional interest-bearing loans amounting to P70.4 million from the same bank to partially refinance the acquisition of MTug Fortis VI, MTug Fortis VII, and MTug Fortis VIII. The loan bears fixed interest rate of 5.56% and the principal is payable in 28 quarterly installments.

On January 16, 2020, FTC obtained additional interest-bearing loans amounting to P47.9 million from the same bank to partially refinance the acquisition of MTug Fortis IX and MTug Fortis X. The loan bears fixed interest rate of 7.07% and the principal is payable in 28 quarterly installments.

Certain trade receivables amounting to P69.7 million and P89.3 million as of December 31, 2020 and 2019, respectively, were assigned to secure the payment of these interest-bearing loans (see Note 5). Moreover, certain tugboats of FTC with net carrying amounts of P438.1 million and P232.5 million as of December 31, 2020 and 2019, respectively, were used as collateral to secure the payment of these loans (see Note 9). The loans do not include any financial covenants.

(e) TLA with CTBC, MICBC, RBC and FCB – Trans-Asia

In 2017, Trans-Asia entered into a five-year loan facility agreement amounting to P300.0 million each with CTBC, MICBC and RBC and P200.0 million with FCB to bridge the facility obtained by CSC to fund the acquisition of Trans-Asia and for general working capital purposes. In the same year, Trans-Asia made a drawdown of P1,100.0 million loan to bridge the loan obtained by CSC in 2016. The loan is subject to annual interest rate of 4.09% and is payable on quarterly basis. Principal repayments shall be 5% of the loan in the first and second year, 15% in the third and fourth year and 60% in the fifth year of the drawdown. The agreement requires Trans-Asia to maintain debt-to-equity ratio of not more than 3:50:1:00 and a DSCR of at least 1.25.

The loan is secured by Trans-Asia shares with a carrying value of P525.0 million, a corporate guarantee by Udenna and individual surety of the Company's Chairman of the BOD [see Note 21.9(a)].

(f) TLA with DBP

In addition to the debt relief arising from the enactment of RA 11469 and 11494, DBP, likewise, has an existing program called Rehabilitation Support Program on Severe Events (RESPONSE) in addressing the financial difficulty of its clients brought about by natural calamities such as but not limited to typhoons. This program grants borrowers 6-month reprieve on loan payments, in which the following companies have deferred payments.

f.1. SFI – MV Pioneer and MV Reliance

In 2016 and 2015, Starlite entered into 15-year term loan agreements amounting to P306.0 million and P300.0 million, respectively, with DBP to finance the acquisition of MV Pioneer and MV Reliance. The loan is subject to annual interest rate of 6.95% and is payable on a quarterly basis. Principal repayments shall commence after the grace period of three periods.

Certain vessels of Starlite with net carrying amounts of P851.4 million and P684.5 million as of December 31, 2020 and 2019, respectively, were used as collateral to secure the payment of these loans (see Note 9). The agreement also requires Starlite to maintain debt-to-equity ratio of not more than 8.00:1.00, current ratio of at least 0.50:1.00 and DSCR of at least 1.00.

f.2. PNX-Chelsea – MV San Pedro Calungsod, MV San Lorenzo Ruiz Uno and MV St. Nicholas of Myra

On January 25, 2018, PNX-Chelsea entered into a loan agreement with DBP amounting to P575.0 million to refinance the acquisition of MV San Pedro Calungsod, MV San Lorenzo Ruiz Uno and MV St. Nicholas of Myra. The loan is subject to annual interest rate of 6.50% and is payable in 60 equal quarterly installments commencing on the first quarter from the initial drawdown.

Certain trade receivables amounting P18.5 million as of December 31, 2020 and 2019 were assigned to secure payment of this interest-bearing loan (see Note 5). Moreover, certain vessels of PNX-Chelsea with net carrying amounts of P669.4 million and P834.0 million as of December 31, 2020 and 2019, respectively, were used as collateral to secure the payment of these loans (see Note 9).

The agreement requires PNX-Chelsea to maintain debt-to-equity ratio of not more than 2.34:1.00.

f.3. TASLI – MV Trans-Asia 16, 17 and 18

On May 2, 2018, Trans-Asia entered into a loan agreement with DBP amounting to P618.0 million to finance the acquisition of MV Trans-Asia 16, MV Trans-Asia 17 and MV Trans-Asia 18. The loan is subject to annual interest rate of 6.50% and is payable quarterly in arrears up to 15 years from the initial drawdown, inclusive of one-year grace period from the date of signing. The agreement requires Trans-Asia to maintain a DE ratio of not more than 3.50:1:00, current ratio of 1:00:1:00 and DSCR of at least 1.0.

Certain vessels of Trans-Asia with net carrying amounts of P996.8 million and P1,005.7 million as of December 31, 2020 and 2019 were used as collateral to secure the payment of these loans (see Note 9).

f.4. CSC

On December 28, 2018, CSC entered into a loan agreement with DBP amounting to P1.5 billion to refinance the acquisition of one second-hand oil/chemical tanker and one second-hand floating dock. The loan is subject to annual interest rate of 6.50% and is payable quarterly in arrears up to 15 years from the initial drawdown, inclusive of one-year grace period from the date of signing. The agreement requires CSC to maintain debt-to-equity ratio of not more than 3.00:1.00 and DSCR of at least 1.00.

A certain vessel of CSC with net carrying amount of P1,547.7 million and P1,587.7 million as of December 31, 2020 and 2019, respectively, was used as collateral to secure the payment of these loans (see Note 9).

f.5. SFFC

On May 20, 2016, SFFC obtained a long-term loan facility from DBP amounting to P370.0 million with a term of 15 years, inclusive of 1.5 years grace period, in 53 equal quarterly installments to commence at the end of the seventh quarter from the date of the initial drawdown, which can be availed through promissory note with an interest at the prevailing market rate of 6.5% to finance the construction of MV St. Sariel and MV St. Camael.

Certain vessels of SFFC with net carrying amount of P396.3 million and P440.6 million as of December 31, 2020 and 2019, respectively, was used as collateral to obtain this loan. In addition, SFFC is required to maintain debt-to-equity ratio not exceeding 2.30:1.00 and maintain debt service coverage ratio of at least 2.00 at each testing date.

(g) TLA with RCBC – Starlite

In 2018, Starlite entered into a loan agreement with RCBC to finance the acquisition of Starlite Sprint I. The first drawdown of P105.0 million is payable in equal quarterly installments up to eight years from the date of initial drawdown, i.e., July 19, 2019, inclusive of one year grace period. The loan is subject to annual interest rate based on 7-year fixed BVAL plus minimum spread of 1.50% and is payable on a quarterly basis. The agreement requires Starlite to maintain debt-to-equity ratio of not more than 5.50:1.00 and current ratio of not less than 1.00.

The vessel of Starlite with net carrying amounts of P124.3 million and P118.1 million as of December 31, 2020 and 2019, respectively, was used as a collateral to secure the payment of this loan (see Note 9).

With regard to the existing loans with financial covenants to maintain, the Group have complied with the financial, affirmative and negative covenants for the past years except that, in 2020 [(see *a.1, b.2*, *b.4, e, f.1, f.2, f.3, f.4, f.5 above*)] and 2019 [(see *e, f.3, f.4 above*)], the Group exceeded the agreed DE ratio and had lower than the indicated current ratio. The Group also had lower than the stated DSCR. Prior to December 31, 2020 and 2019, the companies already requested for the waiver of these financial covenants and management is confident that such will be approved based on the preliminary discussions with the lender banks. The companies have not received any written notice, as of the date of the issuance of the consolidated financial statements, that the loans are due and demandable, which is provided for in the loan documents as a basis to reclassify the loan to current. The Group also continued to negotiate with banks to refinance or restructure its existing loans. With regard a certain loan which provides that the loan will be demandable at an event of default even without demand [see *g above*], the Group was able to secure a waiver prior to December 31, 2020.

Interest incurred on these loans is included as part of Finance costs under the Other Income (Charges) section of the consolidated statements of profit or loss (see Note 19.1). Certain interest costs incurred in 2019 and 2018 were capitalized as part of Property and Equipment (see Note 9). The related unpaid interest as of December 31, 2020 and 2019 is presented as part of Accrued expenses under the Trade and Other Payables account in the consolidated statements of financial position (see Note 14).

13.2 Bank Loans

The details of the Group's bank loans are as follows:

	Security	Terms	Interest Rates	Outstanding Balance 2020	2019
Primary Institutional Lenders	Unsecured	30 to 180 days	4.25% to 7.50%	P **1,445,076,437**	P 1,265,823,896
UCPB	MT Chelsea Intrepid MT BMI Patricia	90 days	5.00% to 5.75%	**897,500,000**	896,400,000
PBB	Unsecured	180 days	9.00%	**675,000,000**	-
CBC	Unsecured	60 days	6.00%	**500,000,000**	522,163,934
Landbank of the Philippines	Unsecured	90 days	9.00%	**500,000,000**	500,000,000
DBP	MT Chelsea Cherylyn	180 days	4.00 to 4.25%	**300,000,000**	300,000,000
Pentacapital	Unsecured	360 days	6.00%	**200,000,000**	200,000,000
Union Bank of the Philippines	Unsecured	360 days	4.50%	**200,000,000**	200,000,000
Robinsons Bank Corporation	MT Chelsea Denise	180 days	5.50%	**76,125,000**	60,300,000
BDO Unibank Inc	Trans-Asia 1	180 days	6.50%	**48,500,000**	48,459,247
AUB	Unsecured	30 days	8.00%	**21,367,843**	50,000,000
DBP	Unsecured	90 days	6.00%	**4,847,396**	-
				P **4,868,416,676**	P 4,043,147,077

The bank loans were obtained to finance the drydocking of certain vessels and to support the Group's working capital requirements. These loans are secured by certain vessels owned by the Group with total net carrying amount of P1,725.2 million and P1,842.7 million as of December 31, 2020 and 2019, respectively (see Note 9). These loans do not include any financial covenants.

Interest incurred on these loans is presented as part of Finance costs under the Other Income (Charges) account in the consolidated statements of profit or loss (see Note 19.1). The related unpaid interest as of December 31, 2020 and 2019 is presented as part of Accrued expenses under the Trade and Other Payables account in the consolidated statements of financial position (see Note 14).

13.3 Mortgage Loans

	Security	Terms	Interest Rates	Outstanding Balance 2020	2019
BDO	Real Estate Mortgage	10 years	6.75%	P **163,006,255**	P 173,432,009
Toyota Financials	Chattel Mortgage on Transportation Equipment	3 years	10.07%	**20,488,251**	-
AUB	Chattel Mortgage on Transportation Equipment	3 to 5 years	7.00% to 8.50%	**12,656,898**	21,034,055
BDO	Chattel Mortgage on Transportation Equipment	3 years	8.51%	**1,292,134**	1,069,594
Eastwest	Chattel Mortgage on Transportation Equipment	3 years	9.71%	**952,559**	-
PNB	Chattel Mortgage on Transportation Equipment	1 year	7.30%	**649,956**	1,631,211
RCBC	Chattel Mortgage on Transportation Equipment	3 years	7.00%	**580,499**	2,261,162
Chinabank Savings	Chattel Mortgage on Transportation Equipment	3 years	11.00% to 17.00%	**-**	30,416,821
BPI	Chattel Mortgage on Transportation Equipment	3 years	10.28%	**-**	706,422
				P **199,626,552**	P 230,551,274

Mortgage loans pertain to loans obtained by the Group to finance the acquisition of certain properties and transportation equipment. These loans bear average effective interest rates ranging from 6.50% to 17.00% both in 2020 and 2019. Interest incurred on these loans are included as part of Finance costs under the Other Income (Charges) section of the consolidated statements of profit or loss (see Note 19.1). These loans do not contain any financial covenants.

These loans are secured by certain properties and transportation equipment with total carrying amount of P359.5 million and P351.6 million as of December 31, 2020 and 2019, respectively (see Note 9).

13.4 Lease Liabilities

The Group has leases for certain offices, warehouses and related facilities, lots and vessel and vessel equipment. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the consolidated statement of financial position as a right-of-use asset and a lease liability. The Group classifies its right-of-use assets in a consistent manner to its Property and Equipment (see Note 9).

Each lease generally imposes a restriction that, unless there is a contractual right for the Group to sublet the asset to another party, the right-of-use asset can only be used by the Group. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. The Group is prohibited from selling or pledging the underlying leased assets as security. For leases over offices and warehouse and related facilities, the Group must keep these properties in a good state of repair and return the properties in their original condition at the end of the lease. Further, the Group must insure the leased assets and incur maintenance fees on such items in accordance with the lease contracts.

The table below describes the nature of the Company's leasing activities by type of right-of-use asset recognized in the consolidated statement of financial position:

	Number of rights-of-use assets leased	Range of remaining term	Average remaining lease term	Number of leases with extension options	Number of leases with termination options
December 31, 2020					
Warehouses and related facilities	11	1 - 2 years	2 years	3	-
Lot	7	2 - 10 years	5 years	-	-
Offices	7	2 - 6 years	4 years	3	1
Vessel and vessel equipment	5	3 to 20 years	15 years	-	0
December 31, 2019					
Warehouses and related facilities	7	1 - 2 years	2 years	3	-
Lot	7	2 - 10 years	5 years	-	-
Offices	7	2 - 6 years	4 years	3	1
Vessel and vessel equipment	2	2 - 5 years	4 years	-	0

Additional information on the lease liabilities and amounts in respect of possible future lease extension or termination options not recognized as liability are as follows:

	Warehouses and related facilities	Lot	Offices	Vessel and vessel equipment	Total
December 31, 2020					
Lease liabilities	P 23,592,897	P 108,012,969	P 172,441,754	P 1,647,956,961	P 1,952,004,582
Number of leases with an extension option that is not considered reasonably certain of exercise	3	-	3	-	6
Additional lease liabilities that would be incurred were it to become reasonably certain that extension option would be exercised	P 9,039,292	-	P 187,363,688	-	P 196,402,980
December 31, 2019					
Lease liabilities	P 11,807,770	P 127,979,122	P 202,441,615	P 892,303,124	P 1,234,531,631
Number of leases with an extension option that is not considered reasonably certain of exercise	3	-	3	-	6
Additional lease liabilities that would be incurred were it to become reasonably certain that extension option would be exercised	P 9,039,292	-	P 187,363,688	-	P 196,402,980

The Group historically does not exercise its termination options. The lease termination option not recognized as part of liability, based on the lease contract, is expected to be equivalent to a certain percentage of the unrealized income of the lessor due to the termination.

The lease liabilities are secured by the related underlying assets. The maturity analysis of lease liabilities as of December 31, 2020 and 2019 is as follows:

	Within 1 year	1 to less than 2 years	2 to less than 3 years	3 to less than 4 years	4 to less than 5 years	More than 5 years	Total
December 31, 2020							
Lease payments	P 326,842,915	P 321,195,985	P 249,917,396	P 230,842,248	P 708,429,237	P 1,074,894,210	P 2,912,121,991
Finance charges	(134,254,353)	(122,964,023)	(111,001,857)	(101,276,546)	(124,344,086)	(366,276,544)	(960,117,409)
Net present value	**P 192,588,562**	**P 198,231,962**	**P 138,915,539**	**P 129,565,702**	**P 584,085,151**	**P 708,617,666**	**P 1,952,004,582**
December 31, 2019							
Lease payments	P 172,852,618	P 220,969,381	P 180,398,269	P 148,465,364	P 780,099,963	P 44,940,134	P 1,547,725,729
Finance charges	(61,606,136)	(67,160,411)	(57,950,693)	(50,490,174)	(72,384,665)	(3,602,019)	(313,194,098)
Net present value	P 111,246,482	P 153,808,970	P 122,447,576	P 97,975,190	P 707,715,298	P 41,338,115	P 1,234,531,631

As of December 31, 2020, the Group had not committed to any leases, which had not commenced.

The Group also has elected not to recognize lease liabilities for short-term leases. Payments made under such leases are expensed on a straight-line basis. The expenses relating to short-term leases amounted to P70.2 million and P80.7 million in 2020 and 2019, respectively, and is presented as Rentals under Cost of Sales and Services and Other Operating Expenses in the 2020 and 2019 consolidated statements of profit or loss (see Notes 16 and 17). As of December 31, 2020 and 2019, the Company is committed to these short-term leases, and the total commitment amounts to P36.9 million and P31.9 million, respectively.

14. TRADE AND OTHER PAYABLES

This account consists of:

	Notes	**2020**	2019
Trade payables	21.2	**P 4,972,059,618**	P 4,500,451,349
Non-trade payables	21.6	**1,028,132,766**	1,140,956,087
Accrued expenses	13, 21.2	**1,053,180,766**	342,341,676
Subscription payable	10	**781,249,998**	4,355,208,332
Deferred output VAT		**310,533,009**	239,818,083
Government-related obligations		**126,965,369**	48,085,363
Output VAT		**70,938,300**	24,434,333
Deferred income		**1,961,974**	13,658,758
Provisions	24.3	**707,213**	707,213
Others		**81,706,301**	94,264,215
		P 8,427,435,314	P10,759,925,409

Subscription payable pertains to the amount of subscribed shares on the Group's investments in associates that remains unpaid as of December 31, 2020 and 2019 (see Note 10).

Accrued expenses comprise amounts to be paid in relation to repairs and maintenance, fuel and lubricants, interest expense arising from loans, and professional fees rendered to the Group.

Deferred output VAT pertains to taxes payable based on VATable revenues from services rendered, which remained uncollected as of the end of the reporting periods.

15. REDEEMABLE PREFERENCE SHARES

The carrying amount of KGLI-NM's RPS is composed of the following as of December 31, 2020:

RPS Class B	
Face value – P10,000 par value	P 430,810,000
Accrued interest	799,626,441
	P1,230,436,441

Holders of RPS B earn a fixed dividend for four years upon issuance based on the par value of the shares and any cumulative dividend not paid shall be redeemable at the option of the holder after the fourth year and from thereon, the shares shall not be entitled to receive any dividends unless such dividends represent the dividends from the first four years after the issuance. RPS B shares are non-participating and voting. The declaration and distribution of dividends may take place only upon the resolution of the shareholders of KGLI-NM.

Accrued interest on the preferred shares as of December 31, 2020 amounted to P799.6 million and is also shown as part of Redeemable Preference Shares account in the 2020 consolidated statement of financial position.

As of December 31, 2020, all of the KGLI's redeemable preference shares have matured and are all carried at its face value; hence, no further interest was accrued in 2020.

16. COST OF SALES AND SERVICES

The details of this account for each of the years ended December 31 are shown below.

	Notes	2020	2019 (As Restated – see Note 2)	2018 (As Restated – see Note 2)
Bunkering	7, 21.2	**P 1,569,213,005**	P 1,983,576,307	P 1,243,088,820
Depreciation and amortization	9	**1,558,782,765**	1,213,397,083	835,719,005
Salaries and employee benefits	18.1	**681,865,714**	746,460,089	589,964,580
Repairs and maintenance	7	**256,965,375**	265,835,162	120,867,972
Outside services		**234,987,228**	290,300,325	138,607,504
Insurance		**229,777,747**	249,237,841	145,620,167
Handling costs		**199,578,068**	166,442,863	74,801,480
Port expenses		**177,373,576**	205,556,151	148,475,361
Impairment losses on property and equipment	9	**70,755,801**	7,394,742	-
Supplies	7	**52,249,952**	79,411,947	97,260,280
Cost of inventories sold		**49,226,636**	69,140,884	11,217,099
Rentals	21.3	**33,217,024**	30,914,197	41,043,389
Charter hire fees		**31,748,387**	86,839,201	240,372,627
Commission		**24,142,407**	22,370,802	40,772,086
Taxes and licenses		**22,106,026**	31,588,321	30,009,605
Utilities and communication		**20,594,468**	25,628,079	22,801,863
Transportation and travel		**6,833,876**	12,463,231	19,191,855
Professional fees		**191,953**	326,169	1,829,283
Representation and entertainment		**1,087,743**	1,004,406	242,596
Miscellaneous		**77,356,972**	101,331,538	27,657,433
		P 5,298,054,723	P 5,589,219,338	P 3,829,543,005

17. OPERATING EXPENSES BY NATURE

The details of operating expenses by nature for the years ended December 31, 2020, 2019 and 2018 are presented below.

	Notes	2020	2019 (As Restated – see Note 2)	2018 (As Restated – see Note 2)
Depreciation and amortization	9, 12	**P 1,675,721,855**	P 1,272,582,798	P 868,058,074
Bunkering	7, 21.2	**1,569,213,005**	1,983,576,307	1,243,088,820
Salaries and employee benefits	18.1	**1,090,407,842**	1,206,410,646	915,416,994
Expected credit losses on receivables	5	**761,569,714**	-	-
Outside services		**418,037,183**	351,586,902	258,445,819
Repairs and maintenance	7	**275,676,759**	279,617,365	135,305,059
Insurance		**239,556,920**	255,458,720	149,914,746
Handling costs		**199,578,068**	166,442,863	74,801,480
Port expenses		**177,373,576**	205,556,151	148,475,361
Taxes and licenses		**141,477,318**	169,398,443	135,759,607
Impairment losses on property and equipment	9	**70,755,801**	7,394,742	-
Rentals	13.4, 21.3, 24.2	**70,176,802**	80,869,617	78,560,530
Supplies	7	**62,238,786**	97,192,987	118,923,474
Cost of inventories sold		**49,226,636**	69,140,884	11,217,099
Utilities and communication		**48,197,380**	55,774,724	39,975,613
Charter hire fees		**31,748,387**	86,839,201	240,372,627
Professional fees		**27,332,855**	32,109,535	33,573,889
Transportation and travel		**25,559,572**	42,950,365	50,245,939
Commission		**24,449,774**	26,384,282	53,176,152
Representation and entertainment		**5,163,277**	7,277,254	22,085,995
Advertising and promotions		**1,075,748**	5,623,352	6,205,400
Miscellaneous	21.9(b)	**136,944,475**	183,203,810	146,450,530
		P 7,101,481,733	P 6,585,390,948	P 4,730,053,208

These expenses are classified in the consolidated statements of profit or loss as follows:

	Note	2020	2019 (As Restated – see Note 2)	2018 (As Restated – see Note 2)
Cost of sales and services	16	**P 5,298,054,723**	P 5,589,219,338	P 3,829,543,005
Other operating expenses		**1,803,427,010**	996,171,610	900,510,203
Expected credit losses on receivables	5	**761,569,714**	-	-
		P 7,863,051,447	P 6,585,390,948	P 4,730,053,208

18. SALARIES AND EMPLOYEE BENEFITS

18.1 Salaries and Employee Benefits

The details of salaries and employee benefits for the years ended December 31, 2020, 2019 and 2018 are presented below.

	Notes	2020	2019	2018
Short-term employee benefits		**P 982,673,805**	P 1,091,173,191	P 781,712,606
Other employee benefits		**52,503,972**	79,382,427	86,363,247
Share-based compensation	22.5	**16,869,063**	-	-
Bonus and incentives		**7,152,233**	22,599,370	22,562,320
Post-employment benefits	18.2(b)	**31,208,769**	13,255,658	24,778,821
	17	**P 1,090,407,842**	P 1,206,410,646	P 915,416,994

Other benefits include profit sharing, compensated absences, and other allowances.

These expenses are classified in the consolidated statements of profit or loss as follows:

	Notes	2020	2019	2018
Cost of sales and services	16	P **681,865,714**	P 746,460,089	P 589,964,580
Other operating expenses		**408,542,128**	459,950,557	325,452,414
	17	**P 1,090,407,842**	P 1,206,410,646	P 915,416,994

18.2 Post-employment Defined Benefit

(a) Characteristics of Post-employment Defined Benefit Plan

The Group maintains a funded, non-contributory post-employment defined benefit plan that is being administered by a trustee bank that is legally separated from the Group. The trustee bank managed the fund in coordination with the Group's management who acts in the best interest of the plan assets and is responsible for setting the investment policies. The post-employment plan covers all regular full-time employees.

The normal retirement age is 60 with a minimum of five periods of credited service. Normal retirement benefit is an amount equivalent to 22.5 days' pay for every year of credited service.

The post-employment defined benefit plan of Trans-Asia also provides for an early retirement for employees who have served or worked continuously for a period equivalent to the last salary for every year of service as shown below.

(i) For regular employees who were hired before December 1, 2006

- more than two periods to five periods – 7.5 days per year of service
- five periods and nine months to 10 periods – 15 days per year of service
- ten periods and nine months to 15 periods – 22.5 days per year of service
- 15 periods and nine months and above – 30 days per year of service

(ii) For regular employees who were hired starting December 1, 2006

- Five periods and nine months to nine periods – 7.5 days per year of service
- Nine periods and nine months to 15 periods – 15 days per year of service
- 15 periods and five months to 20 periods – 22.5 days per year of service
- 20 periods and nine months and above – 30 days per year of service

Further, Trans-Asia has provided its employees an opportunity to avail an advance on their retirement benefit. These can be availed by employees who were hired before December 31, 2006 and has rendered more than two periods of service to Trans-Asia and by employees who has been hired starting December 31, 2006 and has rendered at least five periods and nine months of service to Trans-Asia. The total number of periods of service of employees who availed of advance payment of a portion of his/her retirement shall be deducted with the number of periods he/she availed as advance retirement.

(b) Explanation of Amounts Presented in the Consolidated Financial Statements

Actuarial valuations are made regularly to update the post-employment benefit expense and the amount of contributions.

(i) Post-employment Benefit Asset

The amounts of post-employment defined benefit asset of CSC and MI as of December 31, 2020 and 2019, which is recognized in the consolidated statements of financial position are determined as follows:

	2020	2019
Fair value of plan assets	P 12,089,955	P 11,689,387
Present value of the obligation	(6,134,751)	(4,015,489)
	P 5,955,204	P 7,673,898

The movements in the present value of post-employment defined benefit obligation recognized as of December 31, 2020 and 2019 are as follows:

	2020	2019
Balance at beginning of year	P 4,015,489	P 36,566,566
Current service cost	1,641,905	340,578
Interest cost	204,790	133,991
Reclassifications	-	(34,755,871)
Actuarial losses due to changes in:		
Financial assumptions	272,567	438,755
Experience assumptions	-	1,291,470
Balance at end of year	P 6,134,751	P 4,015,489

The movements of the fair value of plan assets in 2020 and 2019 are presented below.

	2020	2019
Balance at beginning of year	P 11,689,387	P 48,867,276
Reclassifications	-	(37,177,889)
Interest income	519,555	752,124
Return on plan assets (excluding amounts included in net interest)	(118,987)	(728,606)
Balance at end of year	P 12,089,955	P 11,689,387

The composition of the fair value of plan assets as at December 31, 2020 and 2019 by category and risk characteristics is shown below.

	2020	2019
Cash and cash equivalents	P 101,364	P 6,582
Debt and equity securities	11,373,561	11,655,390
Others	615,031	27,415
	P 12,089,956	P 11,689,387

The fair values of the above equity and debt securities are determined based on quoted market prices in active markets (classified as Level 1 of the fair value hierarchy).

The plan assets earned a return of P0.4 million in 2020 and P0.02 million in 2019.

Plan assets do not comprise any of the Group's own financial instruments or any of its assets occupied and/or used in its operations.

(ii) Post-employment Benefit Obligation

The amounts of post-employment defined benefit obligation recognized in the consolidated statements of financial position are determined are determined as follows:

	2020	2019
Present value of the obligation	**P 171,529,490**	P 113,011,020
Fair value of plan assets	**(57,743,149)**	(56,482,439)
	P 113,786,341	P 56,528,581

The amounts of post-employment defined benefit obligation recognized in the consolidated statements of financial position are determined as follows:

	2020	2019
Balance at beginning of year	**P 113,011,020**	P 35,162,375
Actuarial loss (gains) due to changes in:		
Financial assumptions	**22,733,078**	23,257,102
Experience assumptions	**(67,759)**	(10,991,338)
Demographic assumptions	**-**	(3,874,107)
Reclassifications	**-**	32,751,497
Balance from acquired subsidiary	**-**	19,727,562
Current service cost	**29,449,131**	12,915,080
Interest cost	**6,404,020**	6,612,816
Benefits paid	**-**	(2,549,967)
Balance at end of year	**P 171,529,490**	P 113,011,020

The details of the fair value of plan assets in 2020 and 2019 are presented below.

	2020	2019
Balance from acquired subsidiary	**P 56,482,439**	P 15,896,016
Interest income	**1,260,710**	3,973,144
Reclassifications	**-**	37,201,407
Contributions	**-**	222,664
Benefits paid	**-**	(1,861,753)
Remeasurements	**-**	1,050,961
Balance at end of year	**P 57,743,149**	P 56,482,439

The composition of the fair value of plan assets as at December 31, 2020 and 2019 by category and risk characteristics is shown below.

	2020	2019
Cash and cash equivalents	**P 97,362**	P 94,116
Debt and equity securities	**57,336,213**	55,849,959
Others	**309,574**	538,364
	P 57,743,149	P 56,482,439

The fair values of the above equity and debt securities are determined based on quoted market prices in active markets (classified as Level 1 of the fair value hierarchy).

The plan assets earned a return of P1.3 million in 2020 and P5.0 million in 2019. Plan assets do not comprise any of the Group's own financial instruments or any of its assets occupied and/or used in its operations.

(iii) Post-employment Benefit Expense

The amounts of post-employment benefit expense recognized in the consolidated statement of profit or loss and consolidated statements of comprehensive income in respect of the defined benefit post-employment plan is nil both in 2020, 2019 and 2018:

	Notes	**2020**	2019	2018
Recognized in profit or loss:				
Current service cost	18.2(a)	**P 31,208,769**	P 24,778,821	P 16,011,360
Net interest expense	18.1	**6,089,255**	1,216,147	695,650
	17	**P 37,298,024**	P 25,994,968	P 16,707,010
Recognized in other comprehensive loss:				
Net actuarial loss (gain)		**P 22,620,235**	(P 29,260,996)	(P 33,236)
Return on plan assets (excluding amounts included in net interest expense)		**118,987**	1,902,393	1,351,100
		P 22,739,222	(P 27,358,603)	P 1,317,864

In determining the retirement benefit obligation as at December 31, 2020 and 2019, the following actuarial assumptions were used:

	2020	2019
Discount rates	**3.35% - 7.40%**	5.10% - 7.40%
Expected rate of salary increase	**5.00% - 6.00%**	4.60% - 5.20%

Assumptions regarding future mortality experience are based on published statistics and mortality tables. The average remaining working lives of an individual retiring at the age of 60 is 21 for both males and females. These assumptions were developed by management with the assistance of an independent actuary. Discount factors are determined close to the end of each reporting period by reference to the interest rates of a zero coupon government bond with terms to maturity approximating to the terms of the post-employment obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

(c) Risks Associated with the Retirement Plan

The plan exposes the Group to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk.

(i) Investment and Interest Risks

The present value of the defined benefit obligation is calculated using a discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of a reference government bond will increase the plan obligation. However, this will be partially offset by an increase in the return on the plan's investments in debt securities and if the return on plan asset falls below this rate, it will create a deficit in the plan. Currently, the plan has investments in cash and cash equivalents, debt and equity securities. Due to the long-term nature of the plan obligation, a level of continuing equity investments is an appropriate element of the Group's long-term strategy to manage the plan efficiently.

(ii) Longevity and Salary Risks

The present value of the defined benefit obligation is calculated by reference to the best estimate of the mortality of the plan participants both during and after their employment, and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

(d) Other Information

The information on the sensitivity analysis for certain significant actuarial assumptions, the Group's asset-liability matching strategy, and the timing and uncertainty of future cash flows related to the retirement plan are described below and in the succeeding page.

(i) Sensitivity Analysis

The table below summarizes the effects of changes in the significant actuarial assumptions used in the determination of the defined benefit obligation as of December 31, 2020 and 2019.

	Impact on Post-employment Benefit Obligation		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
December 31, 2020			
Discount rate	+/- 1.0%	(P 12,832,259)	P 15,476,267
Salary growth rate	+/- 1.0%	15,334,802	(12,468,273)
December 31, 2019			
Discount rate	+/- 1.0%	(P 10,682,360)	P 13,180,776
Salary growth rate	+/- 1.0%	12,234,856	(10,090,930)

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. This analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the retirement benefit obligation recognized in the consolidated statements of financial position. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

(ii) Asset-liability Matching Strategies

To efficiently manage the retirement plan, the Group through its BOD, ensures that the investment positions are managed in accordance with its asset-liability matching strategy to achieve that long-term investments are in line with the obligations under the retirement scheme. This strategy aims to match the plan assets to the retirement obligations by investing in long-term fixed interest securities (i.e., government or corporate bonds) with maturities that match the benefit payments as they fall due and in the appropriate currency. The Group actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the retirement obligations.

In view of this, investments are made in reasonably diversified portfolio, such that the failure of any single investment would not have a material impact on the overall level of assets. A large portion of the plan assets as of December 31, 2020 and 2019 consists of equity and debt securities. The Group believes that equity securities offer the best returns over the long term with an acceptable level of risk. The majority of equity securities are in a diversified portfolio of local blue-chip entities.

There has been no change in the Group’s strategies to manage its risks from the previous period.

(iii) Funding Arrangements and Expected Contributions

As of December 31, 2020 and 2019, the plan is underfunded by P107.8 and P48.8 million, respectively. While there are no minimum funding requirements in the country, the size of the underfunding may pose a cash flow risk in about 21 periods’ time when a significant number of employees is expected to retire.

The maturity profile of undiscounted expected benefit payments from the plan within the next ten years from December 31, 2020 and 2019 follows:

	2020	2019
One to five years	**P 51,844,731**	P 54,175,096
More than five years but not more than ten years	**87,782,717**	74,055,162
	P 139,627,448	P 128,230,258

19. OTHER INCOME (CHARGES)

19.1 Finance Costs

The details of this account for the years ended December 31, 2020, 2019 and 2018 are shown below.

	Notes	2020	2019	2018
Interest expense on –				
Interest-bearing loans	13	P **1,137,563,185**	P 1,150,536,861	P 761,501,452
Lease liabilities		**100,029,666**	63,248,608	-
Nontrade payables		**37,733,084**	-	-
Deficiency income taxes		**23,551,008**	6,951,794	14,216,262
Post-employment benefits	18.2(b)	**2,090,520**	3,256,659	1,216,147
		1,300,967,463	1,223,993,922	776,933,861
Bank charges		**1,521,405**	1,985,420	2,255,468
Foreign currency exchange losses – net		-	64,024	56,198,815
		P **1,302,488,868**	P 1,226,043,366	P 835,388,144

19.2 Finance Income

The breakdown of this account for the years ended December 31, 2020, 2019 and 2018 are shown below.

	2020	2019	2018
Foreign currency exchange gains	P **22,880,331**	P 21,547,320	P -
Interest income	**497,226**	3,209,084	3,626,087
Gain on sale and leaseback	-	-	2,927,596
	P **23,377,557**	P 24,756,404	P 6,553,683

19.3 Other Income

Presented below are the details of other income for the years ended December 31, 2020, 2019 and 2018.

	Notes	2020	2019 (As Restated – see Note 2)	2018
Gain on sale of property and equipment - net	9	P **50,038,745**	P 30,909,664	P 1,326,971
Gain on retirement of property and equipment - net	9	**23,863,984**	-	-
Rental income	21.3, 24.2	-	5,102,526	16,524,911
Reversal of impairment losses on property and equipment	9	-	2,214,620	-
Rebates		-	-	11,000,086
Miscellaneous	6	**24,426,230**	38,891,141	37,871,559
		P **98,328,959**	P 77,117,951	P 66,723,527

Rebates pertain to the share of Trans-Asia on all cargo handling charges based on the Cebu Port Authority Tariff rates.

Miscellaneous includes gain on sale of scrap materials, excess customer charges over baggage, beddings and other services.

20. TAXES

20.1 Registration with the Board of Investments (BOI)

In 2018 and 2017, PNX-Chelsea's BOI registration of MT Chelsea Dominance and MT Chelsea Charlize, which commenced in November 2016 and December 2015, respectively, for a period of four years, was transferred to the Group following its acquisition. The tax and non-tax incentives of MT Chelsea Dominance and MT Chelsea Charlize are similar to that of MT Great Princess and MT Chelsea Denise II.

Starlite had registered MV Archer, MV Saturn, MV Eagle, MV Reliance and MV Pioneer which commenced in March 2017, August 2016, May 2016, April 2016 and December 2015, respectively, for a period of four years. In 2019, Starlite had registered MV Starlite Sprint 1, which commenced on December 2019 for a period of four years.

SPFI had also registered MV Stella Del Mar on April 2017 for a period of four years. SGFI had also registered MV Salve Regina, MV Stella Maris, MV Trans-Asia 20 in November 2018, June 2019 and December 2019, respectively, for a period of four years.

In 2019, Trans-Asia had also registered MV Trans-Asia 19, which commenced in January 2019 with a period of four years.

In August 2020, Starlite registered MV Starlite Venus, which will commence in November 2020 with a period of four years.

SFFC had also registered MV St. Camael and MV St. Sariel, which commenced on July 2017 for a period of four years.

As a registered entity, Starlite, SPFI, SGFI, Trans-Asia and SFFC are entitled to tax and non-tax incentives, which includes a four-year ITH. ITH incentives shall be limited only to the revenues generated by the registered activities.

20.2 Current and Deferred Taxes

The components of tax expense (income) as reported in the consolidated statements of profit and loss and other comprehensive income are shown below.

	2020	2019	2018
Recognized in profit or loss:			
Regular corporate income tax at 30%	**P 24,185,232**	P 26,069,160	P 142,356,824
Minimum corporate income tax (MCIT) at 2%	**4,140,586**	2,102,988	136,292
Final tax at 20% and 7.5%	**335,117**	595,334	362,177
Deferred tax expense (income) relating to	**28,660,935**	28,767,482	142,855,293
origination and reversal of temporary differences	**380,740,111**	(169,506,384)	(214,451,915)
	P 409,401,046	(P 140,738,902)	(P 71,596,622)
Recognized in other comprehensive income —			
Deferred tax expense of temporary differences	**P 46,862,608**	P 159,150,294	P 58,556,375

The reconciliation of tax on pretax loss computed at the applicable statutory rate to tax income reported in the consolidated statements of profit or loss is as follows:

	2020	2019	2018
Tax on pretax loss at 30%	**(P 870,464,567)**	(P 291,749,971)	(P 186,638,873)
Adjustments for income subjected to lower tax rates	**(167,559)**	(52,725)	(121,908)
Tax effects of:			
Unrecognized deferred tax assets on net operating loss carryover (NOLCO)	**782,347,357**	-	-
Derecognition of unutilized DTA	**493,675,705**	-	3,357,615
Nondeductible expenses	**538,365,876**	181,694,015	173,996,511
Gain on bargain purchase	**(349,518,591)**	-	(1,311,102)
Nontaxable income	**(295,084,546)**	(19,512,974)	-
Net loss (profit) on BOI-registered activities	**110,247,371**	(11,117,247)	(57,360,493)
Benefit from previously unrecognized DTA	**-**	-	(3,518,372)
	P 409,401,046	(P 140,738,902)	(P 71,596,622)

The net deferred tax assets of the Company and certain subsidiaries pertain to the following:

	2020	2019 (As Restated – see Note 2)
Impairment losses on trade and other receivables	**P 125,668,472**	P 1,162,230
Post-employment benefit obligation	**27,602,145**	11,678,604
Impairment losses on property and equipment	**23,068,873**	22,580,177
Revaluation reserves on property and equipment	**(22,085,636)**	(128,995,682)
Capitalized borrowing costs	**-**	(6,972,952)
NOLCO	**-**	493,264,822
MCIT	**-**	3,818,851
Accrued expenses	**-**	890,150
Unamortized past service cost	**-**	315,557
	P 154,253,854	P 397,741,757

The net deferred tax liabilities of certain subsidiaries as of December 31, 2020 and 2019 are as follows:

	2020	2019
Revaluation reserves on property and equipment	**(P 467,440,432)**	(P 171,086,354)
Impairment losses on trade and other receivables	**108,653,696**	51,291
Capitalized borrowing costs	**(6,876,849)**	-
Post-employment benefit obligation	**4,484,432**	2,448,967
Impairment losses on long-term financial assets	**2,721,268**	2,721,268
Accrued expenses	**2,057,831**	2,057,831
Unamortized past service costs	**255,983**	-
Provisions	**137,535**	137,535
NOLCO	**-**	410,883
Others	**(677,264)**	(672,774)
	(P 356,683,800)	(P 163,931,353)

The net deferred tax income (expense) reported in the consolidated statements of profit or loss and consolidated statements of comprehensive income is shown below.

	2020		2019		2018	
	Profit or Loss	**Other Comprehensive Income**	Profit or Loss	Other Comprehensive Income	Profit or Loss	Other Comprehensive Income
Deferred tax expense (income):						
Revaluation reserves of vessels	**P 108,843,065**	**(P 53,684,375)**	P 89,662,657	(P 163,634,508)	P 77,836,409	(P 50,348,794)
NOLCO	**493,675,705**	**-**	85,849,899	-	129,206,015	-
Unrealized foreign currency loss – net	**4,490**	**-**	(4,948,745)	-	5,356,625	-
Post-employment benefit obligation	**6,653,026**	**6,821,767**	2,334,247	4,484,214	5,715,571	(8,207,581)
MCIT	**3,818,851**	**-**	(2,289,555)	-	(2,414,707)	-
Impairment loss on receivables	**(233,108,647)**	**-**	(1,345,744)	-	-	-
Others	**853,621**	**-**	243,625	-	(1,247,998)	-
	P 380,740,111	**(P 46,862,608)**	P 169,506,384	(P 159,150,294)	P 214,451,915	(P 58,556,375)

The details of the Group's NOLCO and MCIT are shown below.

Year	**Original Amount**	**Applied in Previous Periods**	**Expired Balance**	**Remaining Balance**	**Valid Until**
NOLCO:					
2020	P 2,607,824,522	P -	P -	P 2,607,824,522	2025
2019	426,330,880	-	-	426,330,880	2022
2018	461,300,595	-	-	461,300,595	2021
2017	895,541,094	(137,507,881)	(758,033,213)	-	2020
	P 4,390,997,091	**(P 137,507,881)**	**(P 758,033,213)**	**P 3,495,455,997**	
MCIT:					
2020	P 4,140,586	P -	P -	P 4,140,586	2023
2019	2,102,988	-	-	2,102,988	2022
2018	942,908	-	-	942,908	2021
2017	772,955	-	(772,955)	-	2020
	P 7,959,437	**P -**	**(772,955)**	**P 7,186,482**	

In 2020, the Group derecognized deferred tax assets totalling to P497.5 million arising from NOLCO and MCIT previously recognized in 2017, 2018 and 2019, as management assessed that these will no longer be recovered in the subsequent reporting periods. NOLCO and MCIT incurred in 2020 were also not recognized in the consolidated statements of financial position.

The NOLCO incurred by entities within the Group can be claimed as deductions from their respective future taxable profits within three years after the year the tax loss was incurred. Specifically, the NOLCO incurred in 2020 can be claimed as deduction within five years after the year it was incurred, pursuant to Section 4 (bbbb) of RA No. 11494 and as implemented through Revenue Regulations No. 25-2020.

The Group is subject to the MCIT, which is computed at 2% of gross income, as defined under the tax regulations or RCIT, whichever is higher.

In 2020, 2019 and 2018, the Group opted to claim itemized deductions in computing for its income tax due.

20.3 Impact of the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act

On March 26, 2021, RA No. 11534, *CREATE Act,* amending certain provisions of the National Internal Revenue Code of 1997, as amended, was signed into law with veto on certain provisions and shall be effective 15 days after its publication. The CREATE Act has several provisions with retroactive effect beginning July 1, 2020. The following are the major changes brought about by the CREATE Act that are relevant to the Company:

(a) RCIT rate is decreased from 30% to 25% starting July 1, 2020;
(b) MCIT rate is decreased from 2% to 1% starting July 1, 2020 until June 30, 2023;
(c) For existing registered projects/activities prior to effectivity of the CREATE Act, if the Company is granted income tax holiday (ITH) only, such may still avail of the ITH for the remaining ITH period, or if granted ITH and 5% gross income tax (GIT) after ITH or granted 5% GIT only, existing registered enterprise may avail of 5% GIT for 10 years;
(d) The imposition of 10% tax on improperly accumulated retained earnings is repealed; and,
(e) The allowable deduction for interest expense is reduced by 20% (from 33%) of the interest income subjected to final tax.

Given that the CREATE Act was signed after the end of the current reporting period, the Group determined that this event is a non-adjusting subsequent event. Accordingly, its impact was not reflected in the Group's consolidated financial statements as of and for the year ended December 31, 2020, and instead, will be taken up prospectively in the next reporting period. The companies within the Group used the prevailing tax rates as of December 31, 2020 in determining its current and deferred taxes in their respective 2020 financial statements.

As a result of the application of the lower RCIT and MCIT rates of 25% and 1%, respectively, starting July 1, 2020, the current income tax expense, as presented in the 2020 annual income tax return (ITR) of the companies, would be lower than the amount presented in their respective 2020 financial statements. In addition, the recognized net deferred assets and liabilities as of December 31, 2020 would be remeasured to 25% in the 2021 financial statements. This will result in a decline in the recognized deferred tax assets and deferred tax liabilities in 2020 and will be charged to 2021 profit or loss, unless it can be recognized in other comprehensive income as provided in applicable financial reporting standards.

21. RELATED PARTY TRANSACTIONS

The Group's related parties include Udenna, related parties under common ownership, associates, the Group's key management personnel and stockholders.

A summary of the Group's transactions with its related parties for the years ended December 31, 2020, 2019 and 2018 and the related outstanding balances as of December 31, 2020 and 2019 is presented below.

Related Party Category	Notes	Amounts of Transactions			Outstanding Balances	
		2020	2019	2018	**2020**	2019
Parent —						
Cash advances granted	21.4	**P 317,184,433**	(P 2,283,754,735)	P 518,714,995	**P 980,378,702**	P 663,194,269
Associate —						
Chartering of services rendered	21.1	**-**	237,132,921	376,645,369	**-**	18,525,327
Sale of Dito	10	**4,106,249,866**	-	-	**271,874,967**	-
Related parties under common ownership:						
Chartering of services rendered	21.1	**447,541,689**	987,960,089	680,403,799	**70,355,694**	305,378,198
Fuel purchases	21.2	**1,261,997,185**	1,769,113,489	1,504,293,849	**(2,659,297,546)**	(1,050,164,518)
Acquisition of SFFC's shares	21.6	**-**	650,000,000	-	**(528,132,766)**	(640,956,087)
Acquisition of CSC's shares	21.6	**-**	-	-	**(500,000,000)**	(500,000,000)
Rental income	21.3	**-**	3,003,290	5,072,938	**-**	-
Rental expense	21.3	**80,955**	644,065	2,825,746	**(57,748)**	(57,748)
Donation	21.9(b)	**180,000**	360,000	360,000	**(180,000)**	(30,000)
Cash advances granted	21.4	**(2,716,725)**	(29,548,339)	120,405,421	**148,341,141**	151,057,866
Cash advances obtained	21.4	**(527,032,651)**	1,078,717,998	(1,004,673,484)	**(587,784,015)**	(1,114,816,666)
Right-of-use assets	9, 21.7	**(34,146,043)**	159,417,613	-	**125,271,570**	159,417,613
Lease liabilities	13.4, 21.7	**(27,520,382)**	150,824,376	-	**123,303,994**	150,824,376

The Group's outstanding receivables with related parties were subjected to impairment testing using PFRS 9's ECL model (see Note 27.2).

Unless otherwise stated, the outstanding receivables and payables from and to related parties are unsecured, noninterest-bearing and are generally settled in cash upon demand or through offsetting arrangement with the related parties.

21.1 Charter Fees and Standby Charges

The Group entered into chartering agreements with PPPI, a related party under common ownership, and 2GO, an associate until 2020, which are made on the same terms as those transactions with third parties. The amounts of revenue recognized are presented as part of Charter fees and Standby charges under the Revenues section of the consolidated statements of profit or loss. The related outstanding receivable as of December 31, 2020 and 2019 is presented as part of Trade receivables under the Trade and Other Receivables account in the consolidated statements of financial position (see Note 5).

The outstanding receivables from related parties are unsecured and do not bear any interest as the credit terms range from 30 to 45 days. Further, no impairment loss was recognized on the outstanding receivables from related parties as of December 31, 2020 and 2019 based on management's assessment.

21.2 Fuel Purchases

The Group purchases fuel and lubricants from PPPI, a related party under common ownership. Fuel consumed is included as part of Bunkering under the Cost of Sales and Services account in the consolidated statements of profit and loss (see Note 16) while the remaining fuel and lubricants inventory amounting to P168.2 million and P165.5 million as of December 31, 2020 and 2019, respectively, are included as part of the Inventories account in the consolidated statements of financial position (see Note 7). The outstanding liability, which are unsecured, and do not bear any interest as the credit terms range from 30 to 90 days, arising from these transactions as of December 31, 2020 and 2019 is presented as part of Trade payables and Accrued expenses under the Trade and Other Payables account in the consolidated statements of financial position (see Note 14).

21.3 Rentals

The Group entered into a one-year contract of lease covering vehicles with Valueleases, Inc., a related party under common ownership. Related expense is presented as part of Rentals under Other Operating Expenses in the consolidated statements of profit or loss (see Note 17). The outstanding security deposits arising from this transaction is presented as part of Security deposits under the Other Non-current Assets accounts in the consolidated statements of financial position (see Notes 12 and 24.2).

Furthermore, the Group bills a related party under common ownership for their corresponding share on the office space rent. Income from this transaction is presented as part of Rental income under the Other Income (Charges) section of the 2019 and 2018 consolidated statements of profit or loss (see Note 19.3). No similar transaction occurred in 2020. There were also no outstanding receivables as of December 31, 2020 and 2019.

The outstanding receivables from related parties are unsecured and do not bear any interest and are normally due within 30 days. No impairment loss was recognized on the outstanding receivables from these transactions as management has determined that such financial assets are fully collectible.

21.4 Advances to and from Related Parties

In the normal course of business, the Group grants and obtains unsecured, noninterest-bearing cash advances to and from its related parties mainly for working capital requirements and to bridge financing of vessel acquisitions pending draw down of related loans.

As of December 31, 2020 and 2019, the outstanding receivable and payable balances from these advances are shown as Advances to Related Parties and Advances from Related Parties, respectively, in the consolidated statements of financial position. These advances have no repayment terms and are payable in cash on demand or through offsetting arrangement with the related parties.

The movement of Advances to Related Parties in 2020 and 2019 follows:

	2020	2019
Balance at beginning of year	**P 814,252,135**	P 3,127,555,209
Net advances (collections)	**586,342,675**	(2,313,303,074)
Balance at end of year	**P 1,400,594,810**	P 814,252,135

Based on management's assessment, no impairment loss is recognized in 2020 and 2019 related to the advances granted to related parties (see Note 27.2).

The movement in the Advances from Related Parties account in 2020 and 2019 follows:

	Note	**2020**	2019
Balance at beginning of year		**P 1,114,816,666**	P 36,098,668
Repayments of advances		**(266,615,985)**	(35,203,829)
Offsetting against acquisition costs	10	**(260,416,666)**	-
Proceeds from advances		**-**	1,113,921,827
Balance at end of year		**P 587,784,015**	P 1,114,816,666

21.5 Transactions with Post-employment Benefit Plan

The Group's retirement fund is a multi-employer retirement plan, which is administered by a trustee bank. The retirement fund includes investments in cash and cash equivalents, equity and debt securities, with fair value totaling P57.7 million and P56.5 million as of December 31, 2020 and 2019, respectively. As of December 31, 2020 and 2019, the Group's retirement fund do not include any investments in any debt or equity securities issued by the Group or any of its related parties.

The details of the contributions of the Group and benefits paid out by the plan to employees are presented in Note 18.2.

21.6 Acquisition of CSC and SFFC Shares

On November 24, 2016, the Company acquired all of the outstanding shares of CSC from PPPI, a related party under common ownership, for a total consideration of P2.0 billion. The carrying amounts of the consolidated assets and liabilities of CSC at the time of acquisition amounted to P8.4 billion and P5.4 billion, respectively. The excess of the net identifiable assets over the acquisition price is presented as Other Reserves under the Equity section of the consolidated statements of financial position (see Note 22.3).

On October 9, 2019, the Company acquired all of the outstanding shares of SFFC from 2GO for a total consideration of P650.0 million. The fair values of the total assets acquired and liabilities assumed at the time of acquisition amounted to P1,124.1 million and P545.8 million, respectively. The excess of the acquisition price over the net identifiable assets is presented as part of Goodwill account in the consolidated statement of financial position (see Note 25). The outstanding balance bears an effective interest of 6.50% per annum. Interest expense recognized on this payable amounted to P38.4 million and P3.6 million in 2020 and 2019, respectively.

As of December 31, 2020 and 2019, the outstanding liability from these transactions amounting to P1,028.1 million and P1,141.0 million, respectively, is presented as Non-trade payables under the Trade and Other Payables account in the consolidated statement of financial position (see Note 14).

21.7 Leases

Under PFRS 16, the Company recognized right-of use assets and lease liabilities related to lease of a certain office space from a related party under common ownership amounting to P125.3 million and P159.4 million, and P123.3 million and P150.8 million, respectively, in the statements of financial position (see Notes 9 and 13.4). The total amortization on the right-of-use asset is presented as part of Depreciation and amortization under Other Operating Expenses in the statements of comprehensive income (see Note 17). Interest expense arising from the lease liabilities is recognized as part of Finance costs under Other Income (Charges) in the statements of comprehensive income (see Note 19.1).

21.8 Key Management Personnel Compensation

The Group's key management personnel compensation includes short-term benefits and post-employment defined benefits amounting to P54.8 million, P51.4 million and P39.5 million in 2020, 2019 and 2018, respectively, and are included as part of Salaries and employee benefits under the Other Operating Expenses account in the consolidated statements of profit or loss (see Note 17).

21.9 Others

(a) Certain interest-bearing loans of the Group were secured by a corporate guarantee of Udenna and by certain stockholders through a continuing surety agreement with the respective banks (see Note 13). Certain interest-bearing loans of Udenna were also secured by a corporate guarantee of the Company through a continuing surety agreement with the respective banks.

(b) The Group granted donations amounting to P0.2 million in 2020 and P0.4 million in 2019 and 2018 to Udenna Foundation, Inc., a non-stock, non-profit organization, established by Udenna. This is presented as part of Miscellaneous under the Other Operating Expenses account in the consolidated statements of profit and loss (see Note 17).

22. EQUITY

22.1 Capital Stock

Capital stock consists of:

	Shares		Amount	
	2020	2019	**2020**	2019
Authorized - P1 par value				
Common shares	**1,990,000,000**	1,990,000,000	**P1,990,000,000**	P1,990,000,000
Preferred shares	**10,000,000**	10,000,000	**10,000,000**	10,000,000
Total	**2,000,000,000**	2,000,000,000	**P2,000,000,000**	P 2,000,000,000
Issued and outstanding (all common)				
Balance at beginning and end of year	**1,821,977,615**	1,821,977,615	**P1,821,977,615**	P 1,821,977,615

On March 27, 2017, CLC acquired all of UIBV's outstanding capital stock through a share swap agreement with Udenna wherein Udenna transferred to CLC 18,200 UIBV shares. In exchange, the Company issued 775,384,615 new common shares from its authorized and unissued capital stock in favor of Udenna (see Note 10). In addition, the Group recognized APIC amounting to P5,272,615,385.

On July 11, 2017, the SEC issued an Order approving the Registration Statement covering the securities, which comprised the Company's outstanding capital stock. On August 8, 2017, the Company's shares were listed in the PSE and the trading of offer shares commenced. The Company offered to the public 546,593,000 primary shares at an offer price of P10.68 per share for a total gross proceeds of P5.8 billion. In addition, the Group recognized the APIC amounting to P4,725,754,772, net of issuance costs amounting to P565,265,468. As at December 31, 2020 and 2019, the Company's listed shares closed at P5.21 and P5.50 per share, respectively.

On October 6, 2020, the Shareholders ratified the BOD's approval of the issuance of 500,000 Preferred Shares via private placement to Global Kingdom Investments Limited at the subscription price of P1,000 per share, subject to certain terms and conditions. The par value of the Preferred Shares is P1.0 per share. Actual issuance of the shares has not yet been executed as of December 31, 2020.

On the same date, the Shareholders also ratified the BOD's approval of the increase in the authorized capital stock of the Company to P3,500,000,000. The increase of 1,500,000,000 shares, consists of all common shares. Udenna Corporation will subscribe to 375,000,000 common shares, which is 25% of the increase in common shares, at the price of P3.26 per share with reference to the 90-day volume weighted average price. The par value of the common shares is P1.0 per share. The preferred shares will also now be convertible.

Receipt of capital infusion from Global Kingdom Investments Limited amounting to P357.0 million and from Udenna amounting to P305.6 million, totaling to P662.6 million was presented as Deposits on Future Stock Subscriptions under Equity section, pending approval of SEC of the amendments as of December 31, 2020. The application was presented for filing electronically with SEC on December 2, 2020 and was filed with and received by the SEC on January 25, 2021.

22.2 Revaluation Reserves

The components and reconciliation of items of other comprehensive income presented in the consolidated statements of changes in equity at their aggregate amount under the Revaluation Reserves account are shown below.

	Revaluation of Property and Equipment (see Note 9)	Actuarial Gain or Loss on PBO (see Note 18.2)	Share in OCI of Associates and a Joint Venture (see Note 10)	Cumulative Translation Adjustments	Total
Balance as of January 1, 2020	P 1,646,292,376	P 48,644,631	P 81,571,397	P 527,647	P 1,777,036,051
Revaluation increment	(297,170,375)	-	-	-	(297,170,375)
Remeasurements of post-employment benefit obligation	-	(22,739,222)	-	-	(22,739,222)
Currency exchange differences on translating financial statements of foreign operations	-	-	-	154,306	154,306
Other comprehensive income	(297,170,375)	(22,739,222)	-	154,306	(319,755,291)
Tax income	(53,684,374)	6,821,766	-	-	(46,862,608)
Other comprehensive income after tax	(350,854,749)	(15,917,456)	-	154,306	(366,617,899)
Transfer of revaluation reserves from share in OCI of an associate	-	-	(81,571,397)	-	(81,571,397)
Transfer to retained earnings - Depreciation of revalued vessels	(127,408,835)	-	-	-	(127,408,835)
Balance at December 31, 2020	**P 1,168,028,792**	**P 32,727,175**	**P -**	**P 681,953**	**P 1,201,437,920**
Balance as of January 1, 2019	P 1,334,617,413	P 53,959,943	P 108,049,607	P 1,242,692	P 1,497,869,655
Revaluation increment	632,951,901	-	-	-	632,951,901
Remeasurements of post-employment benefit obligation	-	(9,799,526)	(26,478,210)	-	(36,277,736)
Currency exchange differences on translating financial statements of foreign operations	-	-	-	(715,045)	(715,045)
Other comprehensive income before tax	632,951,901	(9,799,526)	(26,478,210)	(715,045)	595,959,120
Tax income	(163,634,508)	4,484,214	-	-	(159,150,294)
Other comprehensive income after tax	469,317,393	(5,315,312)	(26,478,210)	(715,045)	436,808,826
Transfer to retained earnings - Depreciation of revalued vessels	(157,642,430)	-	-	-	(157,642,430)
Balance at December 31, 2019	P 1,646,292,376	P 48,644,631	P 81,571,397	P 527,647	P 1,777,036,051
Balance as of January 1, 2018	P 1,287,281,993	P 34,808,921	P 108,049,607	(P 223,517)	P 1,429,917,004
Revaluation increment	167,829,312	-	-	-	167,829,312
Remeasurements of post-employment benefit obligation	-	-	27,358,603	-	27,358,603
Currency exchange differences on translating financial statements of foreign operations	-	-	-	1,466,209	1,466,209
Other comprehensive income before tax	167,829,312	-	27,358,603	1,466,209	196,654,124
Tax income	(50,348,794)	-	(8,207,581)	-	(58,556,375)
Other comprehensive income after tax	117,480,518	-	19,151,022	1,466,209	138,097,749
Transfer to retained earnings - Depreciation of revalued vessels	(70,145,098)	-	-	-	(70,145,098)
Balance at December 31, 2018	P 1,334,617,413	P 34,808,921	P 127,200,629	P 1,242,692	P 1,497,869,655

22.3 Other Reserves

Other reserves amounting to P1.0 billion pertain to the excess of the net identifiable assets of CSC amounting to P3.0 billion over the Company's acquisition price of P2.0 billion. The business combination entered was accounted for under the pooling-of-interest method (see Note 21.6). Under this method, the assets and liabilities of the combining entities are reflected in the consolidated financial statements at their carrying amounts. No adjustments are made to reflect their fair values, or recognize new assets and liabilities.

22.4 Non-controlling Interest

The balance as at December 31, 2020 and 2019 represents preferred shares subscription of certain individuals in Trans-Asia. These shares are non-voting and redeemable at the option of Trans-Asia. This also includes the share of NCI in KGLI-NM after its step acquisition (see Note 25).

22.5 Employee Stock Option Plan

On February 13, 2019, the BOD of the Company approved an Employee Stock Option Plan (the ESOP) covering all regular employees with at least one year of service from the date of grant. This was subsequently ratified by stockholders holding at least two-thirds of the outstanding capital stock on March 15, 2019. The objective of the ESOP is to recognize the loyalty, dedication and exemplary performance of the employees of the Company, thereby encouraging long-term commitment to the Company.

Under the ESOP, the Company shall initially reserve for exercise of stock options up to 56.3 million common shares of the Company's outstanding shares to be issued, in whole or in part, out of the authorized but unissued shares, 66.67% of which were granted to existing employees as of the initial offering date (IOD) while the remaining 33.33% is reserved for employees hired after the IOD. Stock options may be granted within five years from the adoption of the ESOP and may be exercised within 10 years from the date of grant. The exercise price shall be based on the volume weighted average price of the Company 30 days prior to the IOD. The options shall vest for a period of one to five years from the initial offering date. The Company shall receive cash for the stock options.

As of December 31, 2020 and 2019, pursuant to the ESOP, the Company has granted the option to its eligible employees to subscribe to 37.6 million shares of the Company. An option holder may exercise in whole or in part his vested option, provided that, an option exercisable but not actually exercised within a given year shall accrue and may be exercised at any time thereafter but prior to the expiration of said option's life cycle. No options have vested as at December 31, 2020 and 2019.

The fair value of the option granted was estimated using binomial option pricing model that takes into account factors specific to the ESOP. The principal assumptions used in the valuation are shown below.

Grant date	:	May 15, 2019
Vesting period ends	:	May 15, 2024
Option life	:	Five years
Share price at grant date	:	P6.05
Exercise price at grant date	:	P6.28
Average fair value at grant date	:	P3.16
Average standard deviation of share price returns	:	51.28%
Average risk-free investment rates	:	6.14%

The underlying expected volatility was determined by reference to historical date of the Company's shares over a period of time consistent with the option life.

A total of P16.9 million is recognized for the year ended December 31, 2020, and is included as part of Salaries and employee benefits under Operating Expenses in the 2020 consolidated statement of profit or loss (see Note 18.1) and is credited to Share Options Outstanding in the Equity section of the 2020 consolidated statement of financial position.

23. LOSS PER SHARE

Basic and diluted loss per share loss attributable to the Company's stockholders are computed as follows:

	2020	2019	2018
Net loss	**(P 3,310,949,604)**	(P 831,761,000)	(P 550,532,956)
Divided by weighted average shares outstanding	**1,821,977,615**	1,821,977,615	1,821,977,615
Loss per share – basic and diluted	**(P 1.817)**	(P 0.457)	(P 0.302)

In relation to the approved ESOP for eligible employees, the options exercisable by any of the option holders are considered as potentially anti-dilutive shares as at the end of December 31, 2020 and 2019. There were no outstanding convertible preferred shares and bonds or other stock equivalents as of December 31, 2020 and 2019; hence, diluted earnings per share is equal to the basic earnings per share.

24. COMMITMENTS AND CONTINGENCIES

The following are the significant commitments and contingencies involving the Group:

24.1 Charter Agreements

The Group has existing commitments to charterers under TC, CVC, and BB agreements, which ranges from two to five years, for the use of its vessels in transporting oil products for a fixed period. Also associated with these charter agreements is the obligation to keep the Group's vessels in good working condition and compliant with all the shipping regulations as required by the Maritime Industry Authority.

24.2 Operating Lease Commitments – Group as Lessor

The Group is a lessor under several operating leases covering certain office spaces in 2019 and 2018. The leases have terms from one to five years, with renewal options, and include annual escalation from 5.0% to 10.0%. Commitments amounted to P635,685 as of December 31, 2018, and is expected to be settled within a year. As of December 31, 2019, the Group does not have operating lease commitments as a lessor as the leases have already expired during the year.

Rent income amounted to P5.1 million and P16.5 million in 2019 and 2018 (nil in 2020), respectively, and is presented as part of Other Income account under Other Income (Charges) – net section of the consolidated statements of profit and loss (see Note 19.3).

The Group also entered into BB agreements, which qualifies as a lease. Income recognized under BB agreements amounted to P155.1 million, P152.4 million and P157.4 million in 2020, 2019 and 2018, respectively. These are presented as part of Charter fees under Revenues in the consolidated statements of profit or loss. Commitments relating to these agreements as of December 31, 2020 and 2019 are as follows:

	2020	2019
Within one year	**P 161,544,100**	P 155,082,336
After one year but not more than five years	**-**	161,544,100
	P 161,544,100	P 316,626,436

24.3 Legal Claims

In 2016, Trans-Asia was a defendant of a litigation related to the sinking of MV Asia South Korea. The Regional Trial Court had provided a decision to award the plaintiffs of the case a total of P8.9 million for four casualties and 11 survivors. The Group's legal counsel has advised that it is probable that Trans-Asia will be found liable; hence, a provision for the claim has been made in the consolidated financial statements. On August 9, 2017, Trans-Asia and the plaintiffs signed a compromise agreement whereby Trans-Asia paid P8.8 million.

In October 2017, three other complainants of the similar litigation that was filed against the Company related to a dispute with passengers for the sinking of M/V Asia South Korea signed a compromise agreement with the Company to which Trans-Asia paid P0.5 million. A provision for the claim with probable settlement amount of P0.8 million has been made in the consolidated financial statements. On June 1, 2018, Trans-Asia and the two plaintiffs signed a compromise agreement whereby Trans-Asia paid P0.2 million. The outstanding liability is presented as Provisions under the Trade and Other Payables account in the consolidated statements of financial position (see Note 14).

24.4 Unused Lines of Credit

As of December 31, 2020 and 2019, the Group has unused lines of credit amounting to P21.0 million and P64.0 million, respectively.

24.5 Mergers and Acquisitions

On June 28, 2018, the Company received the Philippine Competition Commission's (PCC) Decision, which declared void the Company's acquisition of Trans-Asia in 2016 for failure to comply with the notification requirements of the PCC. A penalty of P22.8 million was imposed by PCC against the Company and Udenna. On the same date, in its Decision regarding the Company's acquisition of additional direct shareholdings in KGLI-NM and consequent consolidation of ownership over 2GO, the PCC upheld said acquisition on account that the Trans-Asia acquisition had been declared void.

On July 13, 2018, the Company filed its Motion for Reconsideration of the June 28, 2018 Decision of the PCC on the Trans-Asia acquisition, and on July 18, 2018, it filed its Motion for Partial Reconsideration of the PCC Decision on the KGLI-NM acquisition wherein it prayed that it be allowed to proceed with the transaction without the PCC's imposed condition voiding the acquisition of Trans-Asia.

Subsequently, on December 5, 2018, the Company received the order of the PCC setting the Trans-Asia and the KGLI-NM acquisitions for joint hearing on December 17, 2018. At said hearing, the Company's Chairman, Dennis A. Uy, confirmed that the Company intends to proceed with the acquisition of Trans-Asia and that it agrees to be bound by the PCC's conditions and remedies to address the competition concerns arising from the Trans- Asia acquisition.

On December 21, 2018, the Company and Trans-Asia filed their separate Notification Forms on the Trans-Asia acquisition. Subsequently, in its October 4, 2018 Resolution, the PCC ruled that the Company's Motion for Reconsideration of the June 28, 2018 Decision is denied for being moot. In the same Resolution, the PCC reduced the penalty earlier imposed on Udenna and the Company to 1% of the Trans-Asia transaction or P 11.4 million.

On October 9, 2018, the Notice of Sufficiency from the PCC regarding the Notification Forms for the Trans-Asia acquisition was received and the Company paid the imposed penalty on October 10, 2018.

On October 19, 2018, the Company filed its Voluntary Commitments for the Trans-Asia acquisition and on January 11, 2019, the PCC resolved that it will not take further action on the said acquisition on the basis of the conditions provided in the Voluntary Commitments submitted by the Company. The Voluntary Commitments submitted by the Company include among others, price monitoring of passenger and cargo rates, submission of semi-annual reports on all trips of passenger and cargo services in the critical routes, explanation of all extraordinary rates increases in the critical routes, and maintenance of service quality of passenger and cargo routes based on customer satisfaction index developed by a third party monitor.

On October 7, 2019, the Company, Trans-Asia and 2GO filed a Joint Manifestation and Compliance stating that the Parties are unable to comply with the Voluntary Commitments and, as a result, PCC ordered the setting aside of the Decision approving the Trans-Asia acquisition and reverting the transaction to merger review.

On October 25, 2019, the Company received the Request for Information / Documents issued by the PCC on the Trans-Asia acquisition, and on November 26, 2019, the PCC issued another order requiring the submission of additional documents / information largely pertaining to 2Go, which were both complied with by the Company.

On December 17, 2020, PCC issued a notice approving the acquisition by CLC of shares in TASLI through PCC Case No. M-2020-004.

24.6 Shipbuilding Agreements

On April 25, 2018, the Group signed two shipbuilding contracts for the delivery of two 98-meter bed/seat Ro-Ro type passenger ferry ships presently identified as Builder's Nos. S-1190 and S-1191. These ferry ships will be built at Kegoya Dock's shipyard in Hiroshima Prefecture, Japan. S-1190 was delivered on October 2019 while S-1199 was delivered on August 2020. As part of these shipbuilding agreements, the Group has paid an amount equivalent to P1,128.9 million and P180.6 million in 2020 and 2019, respectively, and is presented as part of Vessels and vessel equipment and CIP under the Property and Equipment account of the consolidated statements of financial position (see Note 9).

Also, on June 20, 2019, the Group signed another shipbuilding agreement for the construction of a 123-m Bed/Seat Ro-Ro type passenger vessel. As part of the shipbuilding agreement, the Group has paid P171.7 million as of December 31, 2020 and 2019 and is presented as part of CIP under the Property and Equipment account of the 2020 consolidated statement of financial position.

24.7 Warehouse Construction

On December 19, 2019, the Group entered into a construction contract with a general contractor to undertake the construction of its central distribution warehouse for a total amount of P390.2 million, exclusive of VAT. As part of the agreement, the Group initially paid 15% mobilization fees and is included as part of Advances to suppliers under the Other Non-Current Assets account in the consolidated statement of financial position (see Note 12). Total capital expenditure amounts to P80.6 million as of December 31, 2020.

On December 25, 2020, the construction was put temporarily on hold due to effects of the pandemic.

24.8 Others

There are other commitments and contingent liabilities that arise in the normal course of the Group's operations which have not been reflected in the Group's consolidated financial statements. Management is of the opinion that losses, if any, from other commitments and contingencies will not have material effects on the Group's consolidated financial statements.

25. GOODWILL

Goodwill recognized in the consolidated financial statements primarily comprises the value of expected synergies from the acquisition of these subsidiaries as part of the Group's expansion program and is derived by deducting the fair values of the net assets acquired as of the date of acquisition from the amount of total consideration paid.

The movements of this account as of December 31 are as follows:

	2020	2019 (As Restated – see Note 2)
Balance at beginning of year	**P 5,765,809,689**	P 5,641,434,544
Reclassification to non-current asset held for sale	**(3,917,431,543)**	-
Additions due to business combinations	**-**	124,375,145
Balance at end of year	**P 1,848,378,146**	P 5,765,809,689

(a) 2020 Acquisitions

On May 11, 2020, the Company acquired 100% ownership interest of Pref C shares of KGLI-NM for a total consideration of P0.2 million. KGLI-NM, in which the Group holds 80% economic interest and 39.71% voting interest, through UIBV, was recognized as an associate until the acquisition. After the acquisition, the effective voting rights of the Group over KGLI-NM increased from 39.71% in 2019 to 90.07% in 2020. Management assessed that such increase in voting interest resulted in control over KGLI-NM; hence, the acquisition was considered a business combination achieved in stages.

Subsequent to the acquisition, the Group's investment in 2Go, through KGLI-NM, was reclassified as a non-current asset held for sale, as the Group has planned to dispose of the investment rather than continuing its business operations. The investment in 2Go was assessed by the Group to qualify as investment acquired in view of resale; hence, is required to be measured at fair value less costs to sell, based on the requirements of PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*. Fair value is derived from the agreed selling price for the sale of the investment. Management also assessed that the goodwill recognized by the Group when it acquired UIBV, amounting to P3.9 billion, is directly attributable to the investment in 2Go and is part of the disposal group; hence, was also reclassified as non-current asset held for sale (see Note 11).

The fair values of the identifiable assets acquired and liabilities assumed from these subsidiaries as at the date of acquisition and the total consideration used for the computation of goodwill or gain on bargain purchase are presented below.

Consideration made:	
Consideration transferred on additional acquisition	P 219,609
Acquisition-date fair value of previously-held interest	4,858,123,040
Amount of non-controlling interest	30,363,269
	4,888,705,918
Fair value of net assets acquired:	
Other assets	5,032,596
Investment in an associate (2Go)	7,306,294,365
Redeemable preference shares	(1,230,436,441)
Other liabilities	(7,675,122)
	6,073,215,398
Gain on bargain purchase	**P 1,184,509,480**

Noncontrolling interest was computed using the proportionate share in the recognized amounts of the acquiree's identifiable net assets. There were no contingent consideration arising from the foregoing transaction. There were also no acquired trade and other receivables. Also, acquisition-related costs were deemed immaterial in this transaction.

The acquisition resulted in gain on bargain purchase due to the significant valuation of the investment in associate, which is valued at fair value less costs to sell as it qualifies as an investment acquired in view of resale (see Note 11), compared to the consideration transferred for the transaction which is at the original par value of the shares acquired. Moreover, the transaction is intended to be part of the initial acquisition of UIBV by the Group but was only finalized this year.

As a result of the step acquisition, the Group also recognized a loss on the remeasurement of the acquisition-date fair value of the previously-held interest against the carrying value of the investment, including attributable goodwill (see Note 10), as follows:

Acquisition-date fair value of previously-held interest	P 4,858,123,040
Carrying value of:	
Previous investment in associate	(1,274,038,809)
Goodwill from acquisition of UIBV in prior years	(3,917,431,543)
Loss on remeasurement	**(P 333,347,312)**

In addition, the cumulative share in the other comprehensive income of the associate totaling P81.6 million was reclassified from Revaluation Reserves account to the Deficit account as a result of the step acquisition (see Note 22.2).

(b) *2019 Acquisitions*

On October 9, 2019, the Company acquired 100% ownership interest in SFFC for a total consideration amounting to P650.0 million. The accounting for this business combination was initially determined provisionally as the Company is still finalizing the fair valuation of the assets acquired in 2019, which resulted on an initial recognition of goodwill of P71.7 million. Upon completion of the acquisition accounting in 2020, the adjusted goodwill amounted to P124.4 million (see Note 2.1).

The revenues and net loss of SFFC that were included in the 2019 consolidated financial statements amounted to P205.2 million and P14.7 million, respectively.

(c) *2018 Acquisitions*

On October 22 and August 10, 2018, the Company acquired 100% ownership interest in SPFI and SGFI, respectively, for a total consideration amounting to P90.6 million and P14.2 million, respectively. The fair values of the identifiable assets acquired and liabilities assumed from these subsidiaries as at the date of acquisition are presented below.

	SFPI	SGFI	Total
Cash and cash equivalents	P 12,731,674	P 2,603,783	P 15,335,457
Trade and other receivables	25,930,140	910,938	26,841,078
Inventories	3,151,286	128,334	3,279,620
Property and equipment	451,942,901	542,325,953	994,268,854
Other non-current assets	986,754	122,850	1,109,604
Trade and other payables	(82,476,819)	(75,366,829)	(157,843,648)
Interest-bearing loans	(317,249,752)	(460,078,204)	(777,327,956)
Net Assets	**P 95,016,184**	**P 10,646,825**	**P 105,663,009**

The excess of acquisition costs over the net assets of SGFI amounting to P3.5 million is presented as part of Goodwill account in the consolidated statements of financial position.

In addition, the fair values of the identifiable assets and liabilities assumed from SPFI as at the date of acquisition were determined to be higher than the total cost; hence, the Group recognized a gain amounting to P4.4 million and is presented as Gain on bargain purchase under Other Income (Charges) section of the 2018 consolidated statement of profit or loss.

The revenues and net profit (loss) of SPFI and SGFI that were included in the 2018 consolidated financial statements are as follows:

2018	SPFI	SGFI	Total
Revenues	P 9,000,000	P 16,500,000	P 125,135,813
Net Profit (Loss)	P 4,963,842	(P 7,752,864)	P 4,051,247

(d) Prior Year Acquisitions

In prior years, the Company acquired 100% ownership interest in UIBV, WSI, Starlite, BMI and MI. The fair value of the net assets of UIBV, WSI, Starlite, BMI and MI as of the acquisition date amounted to P2,130.5 million, P121.5 million, P510.1 million, P21.6 million and P1.1 million, respectively. As such, goodwill amounting to P3,917.4 million for UIBV, P478.5 million in WSI, P1,167.7 million for Starlite, P10.4 million for BMI and P63.9 million for MI representing excess of purchase price over the fair value of their respective net assets and net liabilities was recognized in the consolidated statements of financial position.

(e) Impairment Testing

Goodwill recognized by the Group are significantly allocated to the following segments:

	2020	2019 (As Restated – see Note 2)
Roll-on/roll-off passenger	**P 1,423,474,833**	P 1,423,474,833
Distribution and warehousing	**478,499,319**	478,499,319
Tankering	**74,294,814**	74,294,814
Investing and other activities	**-**	3,917,431,543
	P 1,848,378,146	P 5,765,809,689

Goodwill is subject to annual impairment testing as required under PAS 36, *Impairment of Assets*. Management used different approaches in determining the recoverable amount of the recorded goodwill.

Management's impairment analysis in 2020 for Starlite, WSI, SFFC and MI were based on discounted cash flows based on each cash generating unit's five-year financial projections using each entity's cost of equity as the discount rate. Such cost of equity was computed using the capital asset pricing model. Further, the impairment analysis generally assumes risk-free rate of 4.56%, market rate of return of 8.18% and terminal growth rate of 4.70%, which was based on the forecasted Philippine long-term growth rate. In 2019, management used weighted average cost of capital as the discount rate and used inflation rate of 4.00% and terminal growth rate of 3.74%. Change in discount rate basis during the year was due to the change in free cash flows basis used for the impairment testing.

Revenue projections were based on the capacities of existing and projected capital expenditures within the five-year period. These are based on expectations of future outcomes, taking into consideration past experience over five years, adjusted for expectation on revenue growth and taking into consideration the impact of the COVID-19 pandemic. Management also assessed that the entities will continue as going concern entities and will have sufficient financial resources to finance its working capital requirements to achieve its projected forecast and to support its business needs.

On the other hand, in 2019, the Group engaged a third party consultant to perform an independent impairment testing of goodwill for UIBV. The third party consultant used market-based valuation methodologies based on the subsidiary's five year financial forecasts and used industry data and comparable metrics. Among these were trading analysis using comparable shipping and logistics companies that are publicly-listed within the Association of Southeast Asian Nations and analysis of precedent majority and minority stake transactions within the comparable industry in the Southeast Asian region. The third party consultant's valuation report was dated October 31, 2018 and management has assessed that there is no significant change since the date of the report until December 31, 2019. In 2020, such goodwill was reclassified as part of Non-current Asset Held for Sale, in connection with the sale of its investment in 2Go, as management assessed that the goodwill is attributable to the value of the 2Go investment and is considered part of such disposal group.

Based on these analyses, management has assessed that no impairment of goodwill is required to be recognized as of December 31, 2020 and 2019. Management also assessed that a reasonably possible change of +/- 1% on the Group's cost of equity and terminal growth rate would not cause the carrying values of goodwill arising from the Group's acquisitions to materially exceed their recoverable amounts.

26. SEGMENT INFORMATION

26.1 Business Segments

The Group's operating businesses are organized and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The Group's different business segments are as follows:

(a) Tankering services is involved in the conveyance, carriage, loading, transportation, discharging and storage of petroleum products, goods and merchandise of every kind;

(b) Tugboats services is involved in the towage and salvage of marine vessels and other crafts including their cargoes upon seas, lakes, rivers, canals, bays, harbors and other waterways between the various ports of the Philippines;

(c) Roll-on/roll of passenger shipping services is involved in the transport of passengers and cargoes within Philippine territorial waters and/or high seas;

(d) Distribution and warehousing services is involved in the logistics services such as but not limited to cargo freight forwarding (air, land and sea), cargo consolidation, courier services, distribution, trucking, warehousing, customs brokerage, packing and crating, etc.;

(e) Ship management and crewing services is involved in the business of ship management and in providing full and partial crewing for domestic and foreign vessels; and,

(f) Investing and other activities include holding companies.

Segment accounting policies are the same as the policies described in Note 2.4.

26.2 Segment Assets and Segment Liabilities

Segment assets include all operating assets used by each business segment and consist principally of operating cash, receivables, inventories and property and equipment, net of allowances and provisions. Similar to segment assets, segment liabilities include all operating liabilities used by each segment and consist principally of accounts, wages, taxes currently payable and accrued liabilities.

26.3 Intersegment Transactions

Segment revenues, expenses and performance include sales and purchases between business segments. Such sales and purchases are eliminated in consolidation and combination in 2020, 2019 and 2018.

26.4 Analysis of Segment Information

The tables below present revenue and profit information regarding business segments for the years ended December 31, 2020, 2019 and 2018 and assets and liabilities information regarding segments as at December 31, 2020 and 2019.

	Investing and Other Activities	Tankering	Tugboats	Roll-on/ Roll-off Passenger	Distribution and Warehousing	Ship Management and Crewing	Total
2020							
SEGMENT RESULTS							
Sales to external customers	P -	P 1,188,238,892	P 350,602,251	P 2,656,716,660	P 367,758,484	P 115,603,076	P 4,678,919,363
Intersegment sales	238,623,201	-	63,946,196	153,200,000	-	436,206,728	891,976,125
Total revenues	238,623,201	1,188,238,892	414,548,447	2,809,916,660	367,758,484	551,809,804	5,570,895,488
Cost of sales and services	-	1,316,414,926	349,795,533	3,496,657,368	227,408,887	470,552,380	5,860,829,094
Other operating expenses	269,605,322	601,756,908	53,237,790	902,977,598	130,518,926	83,953,667	2,042,050,211
Segment operating profit (loss)	(P 30,982,121)	(P 729,932,942)	P 11,515,124	(P 1,589,718,306)	P 9,830,671	(P 2,696,243)	(P 2,331,983,817)
SEGMENT ASSETS AND LIABILITIES							
Total assets	**P 23,090,032,951**	**P 11,953,108,385**	**P 1,175,645,067**	**P 16,700,998,776**	**P 1,099,017,166**	**P 519,768,136**	**P 54,538,570,482**
Total liabilities	**P 19,377,066,520**	**P 9,217,705,702**	**P 541,211,363**	**P 16,605,693,763**	**P 915,531,198**	**P 242,585,781**	**P 46,899,794,328**
2019, As restated							
SEGMENT RESULTS							
Sales to external customers	P -	P 1,978,682,852	P 338,321,437	P 4,302,915,392	P 458,661,865	P 141,634,496	P 7,220,216,042
Intersegment sales	388,311,679	-	80,156,825	10,200,000	-	455,525,924	934,194,428
Total revenues	388,311,679	1,978,682,852	418,478,262	4,313,115,392	458,661,865	597,160,420	8,154,410,470
Cost of sales and services	-	1,605,856,363	316,032,833	3,521,550,323	251,712,924	439,949,644	6,135,102,087
Other operating expenses	198,804,313	245,629,481	56,023,539	629,915,848	125,861,244	130,591,698	1,386,826,122
Segment operating profit (loss)	P 189,507,366	P 127,197,008	(P 33,734,935)	P 161,649,221	P 81,087,697	P 26,619,078	P 632,482,261
SEGMENT ASSETS AND LIABILITIES							
Total assets	P 24,279,284,598	P 14,818,151,787	P 1,249,471,699	P 16,055,708,912	P 457,694,586	P 472,657,869	P 57,332,969,452
Total liabilities	P 10,555,460,985	P 10,287,844,825	P 606,525,683	P 13,780,104,720	P 242,400,788	P 174,210,951	P 35,646,547,952
2018, As restated							
SEGMENT RESULTS							
Sales to external customers	P -	P 1,757,891,739	P 333,938,349	P 2,865,192,682	P 286,904,889	P 74,784,753	P 5,318,712,412
Intersegment sales	270,600,136	-	27,561,495	-	-	343,386,758	641,548,389
Total revenues	270,600,136	1,757,891,739	361,499,844	2,865,192,682	286,904,889	418,171,511	5,960,260,801
Cost of sales and services	-	1,280,255,117	236,836,409	2,183,290,601	156,265,142	P 343,843,989	4,200,491,258
Other operating expenses	213,688,403	303,991,393	66,622,200	467,902,115	63,339,429	59,400,047	1,174,943,588
Segment operating profit (loss)	P 56,911,733	P 173,645,228	P 30,479,740	P 213,999,966	P 67,300,318	P 14,927,475	P 584,825,955

	2020	2019	2018
Revenues			
Total segment revenues	**P 5,570,895,488**	P 8,154,410,470	P 5,960,260,801
Elimination of intersegment revenues	**(891,976,125)**	(934,194,428)	(641,548,389)
Reported in the consolidated statements of profit or loss	**P 4,678,919,363**	P 7,220,216,042	P 5,318,712,412
Profit or loss			
Segment operating profit (loss)	**(P 2,331,983,817)**	P 632,482,261	P 584,825,955
Other unallocated income	-	2,342,833	3,833,249
Other unallocated expense	**(90,578,553)**	-	-
Operating profit (loss) as reported in consolidated statements of profit or loss	**(2,422,562,370)**	634,825,094	588,659,204
Finance costs	**(1,302,488,868)**	(1,226,043,366)	(835,388,144)
Loss on remeasurement of investment	**(313,899,803)**	-	-
Gain on sale of an associate	**983,615,152**	-	-
Share in net loss of associates	**(1,046,368,575)**	(483,155,985)	(453,048,188)
Loss on modification of debts	**(86,612,580)**		
Finance income	**23,377,557**	24,756,404	6,553,683
Other income	**98,328,958**	77,117,951	66,723,527
Gain on bargain purchase	**1,165,061,971**	-	4,370,340
Profit before tax as reported in the consolidated statements of profit or loss	**(P 2,901,548,558)**	(P 972,499,902)	(P 622,129,579)
Assets			
Segment Assets	**P 54,538,570,482**	P 57,332,969,452	
Elimination of intercompany accounts	**(17,183,938,109)**	(16,328,771,943)	
Total assets as reported in the consolidated statement of financial position	**P 37,354,632,373**	P 41,004,197,509	
Liabilities			
Segment Liabilities	46,986,406,908	35,646,547,952	
Elimination of intercompany accounts	(19,117,580,951)	(P 7,095,895,831)	
Total liabilities as reported in the consolidated statement of financial position	**P 27,868,825,957**	P 28,550,652,121	

26.5 Disaggregation of Revenues from Contracts with Customers

When the Group prepares its investor presentations and when the Group's Executive Committee evaluates the financial performance of the operating segments, it disaggregates revenue similar to its segment reporting as presented in Note 26.4. The Group determines that the categories used in the investor presentations and financial reports used by the Group's Executive Committee can be used to meet the objective of the disaggregation disclosure requirement of PFRS 15, which is to disaggregate revenue from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

Tankering services segment mainly pertains to revenues from charter fees and standby charges, while tugboats services segment refers to revenues from tugboat fees. Roll-on/roll of passenger shipping services segment includes revenues from passage and freight, while distribution and warehousing, and ship management and crewing services segments pertain to revenues from other services. All revenues presented in the segment information are recognized over time, except for those arising from standby charges amounting to P69.8 million, P93.5 million and P24.0 million in 2020, 2019 and 2018, respectively, and sale of goods amounting to P82.6 million, P127.6 million and P36.6 million in 2020, 2019 and 2018, respectively, which are recognized at point in time. Those arising from BB agreements amounted to P114.2 million, P113.6 million and 117.2 million in 2020, 2019 and 2018, respectively, which qualifies as a lease (see Note 2.16).

27. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks in relation to its financial instruments. The Group's financial assets and financial liabilities by category are summarized in Note 26. The main types of risks are market risk, credit risk and liquidity risk.

The Group's risk management is coordinated with its parent Company, in close cooperation with the BOD, and focuses on actively securing the Group's short to medium-term cash flows by minimizing the exposure to financial markets.

The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The relevant financial risks to which the Group is exposed to are described below.

27.1 Market Risks

The Group is exposed to market risk through its use of financial instruments and specifically to foreign currency risk and interest rate risk which result from both its operating, investing and financing activities.

(a) Foreign Currency Risk

Most of the Group's transactions are carried out in Philippine pesos, its functional currency. Exposures to currency exchange rates arise from the Group's cash, trade and other receivables and interest-bearing loans, which are denominated in U.S. dollars.

To mitigate the Group's exposure to foreign currency risk, non-Philippine peso cash flows are monitored.

U.S. dollar denominated financial assets and financial liabilities, translated into Philippine pesos at the December 31, 2020 and 2019 closing rates follow:

	2020	2019
Financial assets	**P 1,176,174**	P 2,433,568
Financial liabilities	**-**	(236,805,333)
Net exposure	**P 1,176,174**	(P 234,371,765)

If the Philippine peso had strengthened against the U.S. dollar, loss before tax in 2020 and 2019 would have increased by P0.1 million and decreased by P30.4 million, respectively. If the Philippine peso had weakened against the U.S. dollar, then this would have increased loss before tax in 2020 and decreased loss before tax in 2019, respectively, by the same amount. This sensitivity of the net result for the period assumes a +/- 9.51% and +/- 12.97% change of the Philippine peso/U.S. dollar exchange rate for the years ended December 31, 2020 and 2019, respectively. These percentages have been determined based on the average market volatility in exchange rates, using standard deviation, in 12 months for 2020 and 2019 estimated at 99% level of confidence. The sensitivity analysis is based on the Group's foreign currency financial instruments held at the end of the reporting period.

Exposures to foreign exchange rates vary during the year depending on the volume of transactions. Nonetheless, the analysis above is considered to be representative of the Group's foreign currency risk.

(b) Interest Rate Sensitivity

The Group's policy is to minimize interest rate cash flow risk exposures on long-term financing. At December 31, 2020 and 2019, the Group is exposed to changes in market interest rates through cash in bank and certain bank borrowings, which are subject to variable interest rates (see Note 13). All other financial assets and financial liabilities have either fixed interest rates or are noninterest-bearing.

Cash in banks are tested on a reasonably possible change of +/- 0.94% and +/- 0.68% in 2020 and 2019, respectively. Bank loans, which vary with certain foreign interest rates, are tested on a reasonably possible change of +/- 0.10% and +/- 0.46% in 2020 and 2019, respectively. These percentages have been determined based on the average market volatility of interest rates, using standard deviation, in the previous twelve months estimated at 99% level of confidence. The sensitivity analysis is based on the Group's financial instruments held at the end of each reporting period, with effect estimated from the beginning of the year. All other variables are held constant.

The changes in percentages would affect profit or loss before tax by +/- P1.6 million and +/-P3.3 million for the years ended December 31, 2020 and 2019, respectively.

27.2 Credit Risk

Credit risk is the risk that a counterparty may fail to discharge an obligation to the Group. The Group is exposed to this risk for various financial instruments, for example, by granting advances and rendering services to customers and related parties and by placing deposits with banks.

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown in the consolidated statements of financial position or in the detailed analysis provided in the notes to the consolidated financial statements, as summarized below.

	Notes	2020	2019
Cash and cash equivalents	4	**P 139,206,973**	P 375,228,505
Trade and other receivables – net (excluding advances to officers and employees)	5	**1,561,579,436**	2,204,826,665
Restricted cash	8, 12	**6,578,380**	20,748,270
Security deposits	8, 12	**88,046,332**	136,616,637
Advances to related parties	21.4	**1,400,594,810**	814,252,135
		P 3,196,005,931	P 3,551,672,212

The Group maintains defined credit policies and continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. Where available at a reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used and credit verification procedures are performed. The Group's policy is to deal only with creditworthy counterparties.

None of the financial assets are secured by collateral or other credit enhancements, except for cash and trade and other receivables as described below.

The credit risk for cash is considered negligible, since the counterparties are reputable banks with high quality external credit ratings. Included in cash are cash and cash equivalents which are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P0.5 million for every depositor per banking institution.

The Group applies the PFRS 9 simplified approach in measuring ECL, which uses a lifetime expected loss allowance for all trade receivables and other receivables.

To measure the expected credit losses, trade and other receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over a period of 36 months before December 31, 2020 and 2019, and the corresponding historical credit losses experienced within such period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

On that basis, the loss allowance as at December 31, 2020 and 2019 was determined based on months past due, as follows for trade receivables (see Note 5).

	Current	Not more than 3 months	More than 3 months but not more than 6 months	More than 6 months but not more than 1 year	Total
December 31, 2020					
Expected loss rate					
Gross carrying amount -	0.00%	21.70%	31.98%	67.00%	
trade receivables	674,764,705	176,671,642	108,240,434	1,056,904,914	2,016,581,695
Loss allowance	-	38,339,138	34,616,982	708,117,772	781,073,891
December 31, 2019					
Expected loss rate					
Gross carrying amount -	0.00%	0.00%	0.00%	11.37%	
trade receivables	919,964,891	504,236,808	416,947,104	171,569,269	2,012,718,072
Loss allowance	-	-	-	19,504,177	19,504,177

In 2020, the Group recognized ECL amounting to P761.6 million and is presented as a separate line time in the 2020 consolidated statement of profit or loss. This significant ECL resulted from a higher portion of the Group's receivables that became past due for more than 60 days. No impairment losses were recognized in relation to the Group's trade receivables as of December 31, 2019.

The Group also considers the existence of financial liabilities, which may be offset against the outstanding trade receivables with the same counterparty. Portion of the financial assets past due for more than three months in both years pertain to the trade receivables from PPPI. The management believes that such receivables are not impaired as it may be offset against the Group's outstanding liabilities to PPPI (see Notes 21.1 and 21.2). For due from agencies and claims receivable, no impairment losses were also recognized as these are assessed to be recoverable as there were no historical defaults from the authorized transacting agencies.

The credit risk for security and other deposits is also considered negligible as the Group has ongoing lease agreements with the counterparties and the latter are considered to be with sound financial condition and sufficient liquidity.

Furthermore, the Group's advances to related parties are repayable on demand and the contractual period refers only to the short period needed to transfer the cash once demanded. Management determines possible impairment based on the related party's ability to repay the advances upon demand at the reporting date, taking into consideration historical defaults from the related parties. The Group also considers possible recovery strategies and the expected manner in which those will be realized and cash would be available for payment of the advances. Management assessed that the outstanding advances from related parties as of December 31, 2020 and 2019 are recoverable since these the related parties were assessed to have a capacity to pay the advances upon demand and there were no historical defaults. Hence, no impairment is necessary.

27.3 Liquidity Risk

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for short-term and long-term financial liabilities as well as cash outflows due in a day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a six-month and one-year period are identified monthly.

The Group maintains cash to meet its liquidity requirements for up to 60-day periods. Funding for short-term and long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.

As at December 31, 2020, the Group's financial liabilities, excluding lease liabilities, have contractual maturities which are presented below.

		Current		**Non-current**	
	Notes	**Within Six Months**	**Six to 12 Months**	**One to Five Years**	**More than Five Years**
Interest-bearing loans	13	P 2,956,946,031	P 3,220,156,991	P 10,560,803,769	P 4,101,143,094
Trade and other payables (except for government-related obligations)	14	6,102,685,573	-	-	-
Advances from related parties	21.4	293,892,008	293,892,007	-	-
		P 9,353,523,612	**P 3,514,048,998**	**P 10,560,803,769**	**P 4,101,143,094**

As at December 31, 2019, the Group's financial liabilities have contractual maturities which are presented below.

	Notes	Current		Non-current	
		Within Six Months	Six to 12 Months	One to Five Years	More than Five Years
Interest-bearing loans	13	P 3,652,965,371	P 2,765,901,031	P 8,007,417,469	P 3,348,327,507
Trade and other payables (except for government-related obligations)	14	10,191,038,037	-	-	-
Advances from related parties	21.4	557,408,333	557,408,333	-	-
		P 14,401,411,741	P 3,323,309,364	P 8,007,417,469	P 3,348,327,507

These contractual maturities reflect the gross cash flows, which may differ from the carrying values of the liabilities at the end of the reporting periods.

28. CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

28.1 Carrying Amounts and Fair Values by Category

The carrying amounts and fair values of the categories of financial assets and financial liabilities presented in the consolidated statements of financial position are shown below.

	Notes	**December 31, 2020**		December 31, 2019	
		Carrying Amounts	**Fair Values**	Carrying Amounts	Fair Values
Financial Assets:					
At amortized cost:					
Cash and cash equivalents	4	**P 139,206,973**	**P 139,206,973**	P 375,228,505	P 375,228,505
Trade and other receivables - net	5	**1,561,579,436**	**1,561,579,436**	2,204,826,665	2,204,826,665
Restricted cash	8, 12	**6,578,382**	**6,578,382**	20,748,270	20,748,270
Security deposits	8, 12	**88,046,332**	**88,046,332**	136,616,637	136,616,637
Advances to related parties	21.4	**1,400,594,810**	**1,400,594,810**	814,252,135	814,252,135
Financial Assets at FVTPL —					
Equity securities	6	**2,266,150**	**2,266,150**	3,947,736	3,947,736
		P 3,198,272,083	**P 3,198,272,083**	P 3,555,619,948	P 3,555,619,948
Financial Liabilities —					
At amortized cost:					
Trade and other payables	14	**P 2,279,944,195**	**P 2,279,944,195**	P 10,191,038,037	P 10,191,038,037
Interest-bearing loans	13	**17,006,971,226**	**17,006,971,226**	16,307,121,192	16,307,121,192
Advances from related parties	21.4	**587,784,015**	**587,784,015**	1,114,816,666	1,114,816,666
Redeemable preference shares	15	**1,230,436,441**	**1,230,436,441**	-	-
		P 21,105,135,877	**P 21,105,135,877**	P 27,612,975,895	P 27,612,975,895

See Notes 2.5 and 2.10 for the description of the accounting policies for each category of financial instruments. A description of the Group's risk management objectives and policies for financial instruments is provided in Note 27.

28.2 Offsetting of Financial Assets and Financial Liabilities

The Group has not set off financial assets and financial liabilities in 2020 and 2019 and does not have relevant offsetting arrangements. Currently, financial assets and financial liabilities are settled on a gross basis; however, each party to the financial instruments may have the option to settle on a net basis in the event of default of one of the parties through approval by the respective BOD and stockholders of both parties or upon instruction by Udenna. In addition, the Group's outstanding interest-bearing loans from certain banks can be potentially set-off to the extent of the Group's outstanding cash deposited in the same banks.

The outstanding balances of trade and other receivables and cash advances granted to related parties totaling P1,470.1 million and P1,138.2 million as of December 31, 2020 and 2019, respectively, may be offset against the outstanding balances of trade and other payables and cash advances obtained from related parties totaling P4,281.4 million and P3,306.0 million as of December 31, 2020 and 2019, respectively.

The Group also has certain trade receivables which were used as collateral to secure the payment of certain interest-bearing loans (see Notes 5 and 13.1). Certain cash balances are also restricted for use to secure line of credits with banks (see Notes 8 and 12).

29. FAIR VALUE MEASUREMENTS AND DISCLOSURES

29.1 Fair Value Hierarchy

In accordance with PFRS 13, *Fair Value Measurement*, the fair value of financial assets and financial liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm’s length basis.

When the Group uses valuation technique, it maximizes the use of observable market data where it is available and relies as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3.

29.2 Financial Instruments Measured at Fair Value

The Group’s financial instruments measured at fair value includes the Financial Assets at FVTPL amounting to P2.3 million and P3.9 million as of December 31, 2020 and 2019, respectively, and is presented in the consolidated statements of financial position on a recurring basis.

These are included in Level 1 as the prices of the shares were valued based on their market prices quoted in the PSE at the end of each reporting period.

The Group has no financial liabilities measured at fair value as of December 31, 2020 and December 31, 2019.

29.3 Financial Instruments Measured at Amortized Cost but for which Fair Value is Disclosed

The tables below summarize the fair value hierarchy of the Group's financial assets and financial liabilities as of December 31, 2020 and 2019, which are not measured at fair value in the consolidated statements of financial position but for which fair value is disclosed.

	December 31, 2020			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial Assets:				
At amortized cost:				
Cash and cash equivalents	P 139,206,973	P -	P -	P 139,206,973
Trade and other receivables - net	-	-	1,561,579,436	1,561,579,436
Restricted cash	6,578,382	-	-	6,578,382
Security deposits	-	-	88,046,332	88,046,332
Advances to related parties	-	-	1,400,594,810	1,400,594,810
	P 145,785,355	**P -**	**P 3,050,220,578**	**P 3,196,005,933**
Financial Liabilities —				
At amortized cost:				
Trade and other payables	P -	P -	P 2,279,944,195	P 2,279,944,195
Interest-bearing loans	-	-	16,920,358,646	16,920,358,646
Advances from related parties	-	-	587,784,015	587,784,015
Redeemable preference shares	-	-	1,230,436,441	1,230,436,441
	P -	**P -**	**P 21,018,523,297**	**P 21,018,523,297**

	December 31, 2019			
	Level 1	Level 2	Level 3	Total
Financial Assets:				
At amortized cost:				
Cash and cash equivalents	P 375,228,505	P -	P -	P 375,228,505
Trade and other receivables - net	-	-	2,204,826,665	2,204,826,665
Restricted cash	20,748,270	-	-	20,748,270
Security deposits	-	-	136,616,637	136,616,637
Advances to related parties	-	-	814,252,135	814,252,135
	P 395,976,775	P -	P 3,155,695,437	P 3,551,672,212
Financial Liabilities:				
At amortized cost:				
Trade and other payables	P -	P -	P 10,191,038,037	P 10,191,038,037
Interest-bearing loans	-	-	16,307,121,192	16,307,121,192
Advances from related parties	-	-	1,114,816,666	1,114,816,666
	P -	P -	P 27,612,975,895	P 27,612,975,895

For financial assets with fair values included in Level 1, management considers that the carrying amounts of these financial instruments approximate their fair values due to their short duration.

The fair values of the financial assets and financial liabilities included in Level 3, which are not traded in an active market, are determined based on the expected cash flows of the underlying net asset or liability based on the instrument where the significant inputs required to determine the fair value of such instruments.

29.4 Fair Value Measurements of Non-financial Assets

The fair values of the Group's vessels, included as part of Property and Equipment account, were generally determined based on the appraisal reports of professional and independent appraisers with appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations (see Note 9). To some extent, the valuation process was conducted by the appraisers in discussion with the Group's management with respect to the determination of the inputs such as the size, age, capacity and condition of the vessels. In estimating the fair value of these vessels, management takes into account the market participant's ability to generate economic benefits by using the assets in their highest and best use. Based on management's assessment, the best use of the Group's non-financial assets indicated above is their current use.

The fair value of vessels was determined using the cost approach that reflects the cost to a market participant to construct an asset of comparable usage, construction standards, design and layout, adjusted for obsolescence. The more significant inputs used in the valuation include direct and indirect costs of construction and major repairs or part replacements such as but not limited to, labor and contractor's profit, materials and equipment, surveying and permit costs, electricity and utility costs, architectural and engineering fees, insurance and legal fees. These inputs were derived from various suppliers and contractor's quotes, price catalogues, and construction price indices. Under this approach, higher estimated costs used in the valuation will result in higher fair value of the properties.

For certain vessels of the Group, management changed the valuation technique used in 2020 from cost approach to income approach. Such change was done to present fair value that is more representative of the current circumstances, as the last appraisal reports for these vessels were obtained in 2016 and 2015. Information previously used to conduct the appraisal (i.e., access to the vessel by the independent appraiser) are not available; hence, a change from the cost approach to the income approach is necessary.

The fair values of these vessels were estimated using an income approach which utilizes the estimated income stream, net of projected operating costs, using a discount rate computed using capital asset pricing model. The estimated income stream takes into account the current contractual cash flows from the vessels including increase in rates and expectations of continued use of the vessels over the remaining economic life, and expected value of the vessels at the end of the remaining economic life of the vessels. The most significant inputs are the estimated cash flows, which were estimated to have escalation rates of 4% every five years and the discount rate used of 8.31%. The overall valuation are sensitive to changes in these valuations.

The valuation of these non-financial assets are determined to be Level 3. Also, there were no transfers into or out of Level 3 fair value hierarchy in 2020 and 2019.

30. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide an adequate return to shareholders by pricing products and services commensurate with the level of risk.

The Group monitors capital on the basis of the carrying amount of equity as presented in the consolidated statements of financial position. Capital for the reporting periods under review is summarized as follows:

	2020	2019
Total liabilities	**P 27,868,825,957**	P 28,550,652,121
Total equity	**9,485,806,417**	12,453,545,388
Debt-to-equity ratio	**2.94 : 1.00**	2.29 : 1.00

The Group's goal in capital management is to maintain a debt-to-equity structure ratio which is in line with the Group's covenants related to its bank borrowings.

The Group sets the amount of capital in proportion to its overall financing structure, i.e., equity and total liabilities. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may issue new shares or sell assets to reduce debt.

31. SUPPLEMENTAL INFORMATION ON NON-CASH ACTIVITIES

Discussed below are the supplemental information on non-cash investing and financing activities relative to the consolidated statements of cash flows of the Group.

(a) In 2020, the Group sold its investment in Dito to DHC for a total consideration of P4.1 billion, with assumption of outstanding subscription payable amounting to P3.6 billion. Portion of the consideration amounting to P260.4 million was offset against the existing advances of DHC to the Group. The Group also recognized a gain on the sale amounting to P983.6 million (see Note 10).

(b) In 2020, the Group reclassified its investment in 2GO as Non-current Assets Held for Sale. Goodwill previously recognized from the acquisition of UIBV was assessed as part of the disposal group and was also reclassified as part of Non-current Assets Held for Sale. Total reclassification amounted to P7.3 billion (see Notes 11 and 25).

(c) The Group acquired certain transportation equipment through obtaining mortgage loans from a local bank totalling P22.6 million, P21.6 million and P40.2 million in 2020, 2019 and 2018, respectively (see Notes 9 and 13).

(d) In 2020 and 2019, the Group recognized right-of-use assets and lease liabilities, with outstanding balances amounting to P2.3 billion and P2.0 billion, and P1.2 billion and P1.2 billion, respectively, and are presented as part of Property of Equipment and Interest-bearing Loans and Borrowings in the consolidated statements of financial position (see Notes 9 and 13).

(e) In 2019, the Group acquired all the outstanding shares of The Supercat Fast Ferry Corporation from 2GO amounting to P650.0 million. The outstanding balance is presented as part of Non-trade payables under Trade and Other Payables account in the consolidated statements of financial position (see Notes 14 and 22).

(f) In 2019, the Group reclassified Advances to suppliers under Other Non-current Assets amounting to P293.0 million to Construction in progress under Property and Equipment account (see Notes 9 and 12).

(g) In 2018, the Group acquired certain machinery and equipment amounting to P76.8 million through a sale and leaseback agreement with the local bank.

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Report of Independent Auditors to Accompany Supplementary Information Required by the Securities and Exchange Commission Filed Separately from the Basic Consolidated Financial Statements

The Board of Directors and Stockholders
Chelsea Logistics and Infrastructure Holdings Corp. and Subsidiaries
(Formerly Chelsea Logistics and Holdings Corp.)
(A Subsidiary of Udenna Corporation)
Stella Hizon Reyes Road
Bo. Pampanga, Davao City

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of Chelsea Logistics and Infrastructure Holdings Corp. and Subsidiaries (the Group) for the year ended December 31, 2020, on which we have rendered our report dated April 14, 2021. Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The applicable supplementary information (see List of Supplementary Information) is presented for purposes of additional analysis in compliance with the requirements of Revised Securities Regulation Code Rule 68, and is not a required part of the basic consolidated financial statements prepared in accordance with Philippine Financial Reporting Standards. Such supplementary information is the responsibility of the Group's management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

PUNONGBAYAN & ARAULLO

By: **Ramilito L. Nañola**
Partner

CPA Reg. No. 0090741
TIN 109-228-427
PTR No. 8533235, January 4, 2021, Makati City
SEC Group A Accreditation
Partner - No. 0395-AR-4 (until Sept. 16, 2022)
Firm - No. 0002 (until Dec. 31, 2024)
BIR AN 08-002511-19-2020 (until Dec. 21, 2023)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Jul. 24, 2021)

April 14, 2021

CHELSEA LOGISTICS AND INFRASTRUCTURE HOLDINGS CORP. AND SUBSIDIARIES
(Formerly Chelsea Logistics Holdings Corp.)
(A Subsidiary of Udenna Corporation)
INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES
DECEMBER 31, 2020

CHELSEA LOGISTICS AND INFRASTRUCTURE HOLDINGS CORP. AND SUBSIDIARIES

(Formerly Chelsea Logistics Holdings Corp.)

(A Subsidiary of Udenna Corporation)

SCHEDULE A - FINANCIAL ASSETS

DECEMBER 31, 2020

(Amounts in Philippine Pesos)

Name of issuing entity and association of each issue (i)	*Number of shares or principal amount of bonds or notes*	*Amount shown on the balance sheet*	*Valued based on the market quotation at end of reporting period*	*Income received and accrued*
San Miguel Corporation	29,400	P 2,266,150	P 2,266,150	P -

CHELSEA LOGISTICS AND INFRASTRUCTURE HOLDINGS CORP. AND SUBSIDIARIES
(Formerly Chelsea Logistics Holdings Corp.)
(A Subsidiary of Udenna Corporation)
SCHEDULE B - AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)
DECEMBER 31, 2020
(Amounts in Philippine Pesos)

			Deductions		Ending Balance		
Name and designation of debtor	*Balance at beginning of period*	*Additions*	*Amounts collected*	*Amounts written off*	*Current*	*Non-current*	*Balance at end of period*
Advances to Related Parties							
Stockholders	P 28,308,963	P -	(P 403,674)	P -	P 28,712,637	P -	P 28,712,637

CHELSEA LOGISTICS AND INFRASTRUCTURE HOLDINGS CORP. AND SUBSIDIARIES
(Formerly Chelsea Logistics Holdings Corp.)
(A Subsidiary of Udenna Corporation)
SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED
DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
DECEMBER 31, 2020
(Amounts in Philippine Pesos)

Name and designation of debtor	Affected Accounts	Balance at beginning of period	Additions	Deductions		Ending Balance		Balance at end of period
				Amounts collected	Amounts written off	Current	Not current	
Chelsea Logistics and Infrastructure Holdings Corp.	Trade Receivables	342,860,615	267,257,985	125,990,258	-	484,128,342.00	-	484,128,342
Trans-Asia Shipping Lines Inc.	Trade Payables	194,672,193	85,425,202	16,486,073	-	263,611,322.32	-	263,611,322
PNX- Chelsea Shipping Corp.	Trade Payables	36,300,636	20,058,564	46,876,080	-	9,483,119.66	-	9,483,120
Worklinks Services Inc.	Trade Payables	8,950,148	12,273,667	1,171,159	-	20,052,656.07	-	20,052,656
Chelsea Shipping Corp.	Trade Payables	39,165,429	42,147,034	55,772,475	-	25,539,986.92	-	25,539,987
Davao Gulf Marine Services Inc.	Trade Payables	11,636,397	8,304,645	5,481,984	-	14,459,058.66	-	14,459,059
Chelsea Ship Management & Marine Services Corp.	Trade Payables	3,283,064	4,472,084	3,881,243	-	3,873,904.60	-	3,873,905
Fortis Tugs Corporation	Trade Payables	12,235,519	15,288,963	18,347,425	-	9,177,056.78	-	9,177,057
Quality Metal & Shipworks, Inc.	Trade Payables	8,957,166	3,604,787	829,993	-	11,731,961.08	-	11,731,961
Michael, Inc.	Trade Payables	4,444,119	3,874,748	7,755,205	-	563,661.26	-	563,661
Dynamic Cuisine, Inc.	Trade Payables	4,564,033	1,438,418	428,587	-	5,573,863.44	-	5,573,863
Chelsea Marine Manpower Resources, Inc.	Trade Payables	1,581,258	3,873,905	3,597,646	-	1,857,516.25	-	1,857,516
Bunkers Manila, Inc.	Trade Payables	1,917,169	797,198	256,764	-	2,457,603.76	-	2,457,604
Starsy Shoppe, Inc.	Trade Payables	1,499,062	254,071	141,368	-	1,611,765.17	-	1,611,765
Oceanstar Shipping Corp.	Trade Payables	1,872,602	3,604,787	2,239,910	-	3,237,479.54	-	3,237,480
CD Ship Management & Marine Services Corp.	Trade Payables	1,992,480	1,866,816	1,038,195	-	2,821,101.48	-	2,821,101
Starlite Ferries, Inc.	Trade Payables	53,955,929	62,473,289	13,253,026	-	103,176,192.08	-	103,176,192
Starbites Food Services Corp.	Trade Payables	3,210,722	2,119,378	430,007	-	4,900,092.88	-	4,900,093
Chelsea Ship Management & Marine Services Corp.	Trade Receivables	14,412,284	64,299,386	62,230,578	-	16,481,091	-	16,481,091
Fortis Tugs Corporation	Trade Payables	767,200	8,400,000	6,861,325	-	2,305,875	-	2,305,875
Michael, Inc.	Trade Payables	377,109	4,636,800	2,588,214	-	2,425,695	-	2,425,695
Bunkers Manila, Inc.	Trade Payables	240,023	386,400	553,840	-	72,583	-	72,583
Chelsea Shipping Corp.	Trade Payables	8,069,152	30,650,839	26,559,979	-	12,160,011	-	12,160,011
PNX-Chelsea Shipping Corp.	Trade Payables	4,958,800	20,225,347	25,667,220	-	(483,073)	-	(483,073)
CD Ship Management & Marine Services Corp.	Trade Receivables	13,836,000	37,336,320	28,781,672	-	22,390,648	-	22,390,648
PNX-Chelsea Shipping Corp.	Trade Payables	6,948,000	8,104,320	15,015,054	-	37,266	-	37,266
Starlite Ferries, Inc.	Trade Payables	1,512,000	21,168,000	13,025,600	-	9,654,400	-	9,654,400
Trans-Asia Shipping Lines, Incorporated	Trade Payables	5,376,000	8,064,000	741,019	-	12,698,981	-	12,698,981
Chelsea Marine Manpower Resources, Inc.	Trade Receivables	83,106,723	380,425,303	355,783,604	-	101,772,507	-	101,772,507
PNX-Chelsea Shipping Corp.	Trade Payables	16,493,196	80,746,933	74,855,389	-	22,384,740	-	22,384,740
Starlite Ferries, Inc.	Trade Payables	17,641,565	48,451,764	57,234,285	-	8,859,044	-	8,859,044
Chelsea Shipping Corp.	Trade Payables	18,093,868	114,548,456	101,769,346	-	30,872,978	-	30,872,978
Fortis Tugs Corporation	Trade Payables	5,734,763	39,540,526	36,911,386	-	8,363,903	-	8,363,903
Michael, Inc.	Trade Payables	2,758,592	16,280,656	16,250,187	-	2,789,061	-	2,789,061
Davao Gulf Marine Services, Inc.	Trade Payables	4,796,829	9,517,960	9,498,235	-	4,816,553	-	4,816,553
Bunkers Manila, Inc.	Trade Payables	1,175,706	6,416,654	4,805,471	-	2,786,889	-	2,786,889
Trans-Asia Shipping Lines Inc.	Trade Payables	13,343,289	50,385,335	43,900,490	-	19,828,134	-	19,828,134
Southwest Gallant Ferries, Inc.	Trade Payables	3,068,916	7,740,009	10,558,815	-	250,110	-	250,110
The Supercat Fast Ferry Corporation	Trade Payables	-	6,797,010	5,975,915	-	821,095	-	821,095
Chelsea Shipping Corp.	Trade Receivables	10,282,960	-	9,301,595	-	981,366	-	981,366
Fortis Tugs Corporation	Trade Payables	8,931,527	-	8,931,527	-	-	-	-
Chelsea Ship Management & Marine Services Corp.	Trade Payables	683,177	-	219,096	-	464,081	-	464,081
Bunkers Manila, Inc.	Trade Payables	658,040	-	140,755	-	517,285	-	517,285
Chelsea Marine Manpower Resources, Inc.	Trade Payables	10,216	-	10,216	-	-	-	-
PNX-Chelsea Shipping Corp.	Trade Payables	-	-	-	-	-	-	-
Michael, Inc.	Trade Payables	-	-	-	-	-	-	-
Davao Gulf Marine Services, Inc.	Trade Payables	-	-	-	-	-	-	-
Fortis Tugs Corporation	Trade Receivables	49,111,110	72,821,820	58,263,759	-	54,724,068	-	54,724,068
Trans-Asia Shipping Lines Inc.	Trade Payables	2,568,800	8,165,740	1,756,900	-	8,977,640	-	8,977,640
Starlite Ferries, Inc.	Trade Payables	104,116	176,960	235,060	-	46,016	-	46,016
Chelsea Shipping Corp.	Trade Payables	30,429,865	43,523,840	52,420,905	-	21,532,800	-	21,532,800
Bunkers Manila, Inc.	Trade Payables	235,200	-	235,200	-	-	-	-
Michael, Inc.	Trade Payables	632,400	1,104,800	1,374,800	-	362,400	-	362,400
PNX- Chelsea Shipping Corp.	Trade Payables	3,266,500	9,072,400	1,038,814	-	11,300,086	-	11,300,086
Starlite Gallant Ferries, Inc.	Trade Payables	282,100	1,202,080	1,202,080	-	282,100	-	282,100
Davao Gulf Marine Services Inc.	Trade Payables	11,592,129	9,576,000	8,945,103	-	12,223,027	-	12,223,027
TASLI Services, Inc.	Trade Receivables	-	11,211,539	9,195,539	-	2,016,000	-	2,016,000
Trans-Asia Shipping Lines Inc.	Trade Payables	-	11,211,539	9,195,539	-	2,016,000	-	2,016,000
Starlite Ferries, Inc.	Trade Receivables	-	24,640,000	-	-	24,640,000	-	24,640,000
The Supercat Fast Ferry Corporation	Trade Payables	-	24,640,000	-	-	24,640,000	-	24,640,000
PNX- Chelsea Shipping Corp.	Trade Receivables	-	17,920,000	-	-	17,920,000	-	17,920,000
Trans-Asia Shipping Lines Inc.	Trade Payables	-	17,920,000	-	-	17,920,000	-	17,920,000
Starlite Gallant Ferries, Inc.	Trade Receivables	35,631,000	290,304,000	25,800,000	-	300,135,000	-	300,135,000
Trans-Asia Shipping Lines Inc.	Trade Payables	-	129,024,000	624,000	-	128,400,000	-	128,400,000
Starlite Ferries, Inc.	Trade Payables	35,631,000	161,280,000	25,176,000	-	171,735,000	-	171,735,000
Fortis Tugs Corporation	Dividends receivable	7,000,000	-	7,000,000	-	-	-	-
Davao Gulf Marine Services Inc.	Dividends payable	7,000,000	-	7,000,000	-	-	-	-
Chelsea Logistics and Infrastructure Holdings Corp.	Dividends receivable	-	40,020,000	40,020,000	-	-	-	-
The Supercat Fast Ferry Corporation	Dividends payable	-	40,020,000	40,020,000	-	-	-	-
Chelsea Shipping Corp.	Dividends receivable	-	23,020,000	23,020,000	-	-	-	-
Chelsea Marine Manpower Resources, Inc.	Dividends payable	-	13,020,000	13,020,000	-	-	-	-
CD Ship Management & Marine Services Corp.	Dividends payable	-	10,000,000	10,000,000	-	-	-	-
Trans-Asia Shipping Lines Inc.	Dividends receivable	9,500,000	-	-	-	9,500,000	-	9,500,000
Quality Metal & Shipworks, Inc.	Dividends payable	5,000,000	-	-	-	5,000,000	-	5,000,000
Dynamic Cuisine, Inc.	Dividends payable	1,500,000	-	-	-	1,500,000	-	1,500,000
Starsy Shoppe, Inc.	Dividends payable	3,000,000	-	-	-	3,000,000	-	3,000,000

CHELSEA LOGISTICS AND INFRASTRUCTURE HOLDINGS CORP. AND SUBSIDIARIES

(Formerly Chelsea Logistics Holdings Corp.)

(A Subsidiary of Udenna Corporation)

SCHEDULE D - INTANGIBLE ASSETS

DECEMBER 31, 2020

(Amounts in Philippine Pesos)

Description	*Beginning balance*	*Additions at cost*	*Charged to cost and expenses*	*Charged to other accounts*	*Other changes additions (deductions)*	*Ending balance*
Goodwill	P 5,765,809,689	P -	P -	(P 3,917,431,543)	P -	P 1,848,378,146
Software	27,753,354	8,278,650	3,120,197	-	-	32,911,807
	P 5,793,563,043	**P 8,278,650**	**P 3,120,197**	**(P 3,917,431,543)**	**P -**	**P 1,881,289,953**

CHELSEA LOGISTICS AND INFRASTRUCTURE HOLDINGS CORP. AND SUBSIDIARIES

(Formerly Chelsea Logistics Holdings Corp.)

(A Subsidiary of Udenna Corporation)

SCHEDULE E - LONG-TERM DEBT

DECEMBER 31, 2020

(Amounts in Philippine Pesos)

Title of issue and type of obligation	*Amount authorized by indenture*	*Amount shown under caption"Current portion of long-term debt" in related balance sheet*	*Amount shown under caption"Long-Term Debt" in related balance sheet*
Term loans	P 12,552,182,076	P 1,342,867,834	P 8,644,055,581
Bank loans	4,892,724,934	4,868,416,676	-
Mortgage loans	199,626,552	40,790,307	158,836,245
Lease Liabilities	1,952,004,583	192,588,562	1,759,416,021
	P 19,596,538,145	**P 6,444,663,379**	**P 10,562,307,847**

CHELSEA LOGISTICS AND INFRASTRUCTURE HOLDINGS CORP. AND SUBSIDIARIES

(Formerly Chelsea Logistics Holdings Corp.)

(A Subsidiary of Udenna Corporation)

SCHEDULE F - INDEBTEDNESS TO RELATED PARTIES (LONG-TERM LOANS FROM RELATED COMPANIES)

DECEMBER 31, 2020

(Amounts in Philippine Pesos)

Name of related party	*Balance at beginning of period*	*Balance at end of period*

- Nothing to report -

CHELSEA LOGISTICS AND INFRASTRUCTURE HOLDINGS CORP. AND SUBSIDIARIES
(Formerly Chelsea Logistics Holdings Corp.)
(A Subsidiary of Udenna Corporation)
SCHEDULE G - GUARANTEE OF SECURITIES OF OTHER ISSUERS
DECEMBER 31, 2020
(Amounts in Philippine Pesos)

Name of issuing entity of securities guaranteed by the company for which this statement is filed	*Title of issue of each class of securities guaranteed*	*Total amount of guaranteed and outstanding*	*Amount owned by person for which statement is filed*	*Nature of guarantee*

- Nothing to report -

CHELSEA LOGISTICS AND INFRASTRUCTURE HOLDINGS CORP. AND SUBSIDIARIES

(Formerly Chelsea Logistics Holdings Corp.)

(A Subsidiary of Udenna Corporation)

SCHEDULE H - CAPITAL STOCK

DECEMBER 31, 2020

Title of Issue	*Number of Shares Authorized*	*Number of Shares Issued and Outstanding under Related Balance*	*Number of Shares. Reserved for Options, Warrants, Conversions*	*Number or Shares Held By*		
				Related Parties (Parent, Affiliates)	*Directors, Officers and Employees*	*Others*
Common Shares	1,990,000,000	1,821,977,615	Not Applicable	1,275,384,606	2,454,808	544,138,201
Preferred Shares	10,000,000	-	Not Applicable	-	-	-

CHELSEA LOGISTICS AND INFRASTRUCTURE HOLDINGS CORP. AND SUBSIDIARIES
(Formerly Chelsea Logistics Holdings Corp.)
(A Subsidiary of Udenna Corporation)
Stella Hizon Reyes Road, Bo. Pampanga, Davao City

Reconciliation of Retained Earnings Available for Dividend Declaration
For the Year Ended December 31, 2020

RETAINED EARNINGS AT BEGINNING OF YEAR ***(As Presented in the 2019 Audited Financial Statements)***		P 345,277,120
Less: Deferred tax income		(159,094,033)
DEFICIT AT BEGINNING OF YEAR ***(As Adjusted)***		186,183,087
Net Profit Actually Realized during the Year		
Net profit for the year	(344,058,786)	
Less: Deferred tax income	(6,731,521)	(350,790,307)
DEFICIT AVAILABLE FOR DIVIDEND DECLARATION AT END OF YEAR		**(P 164,607,220)**

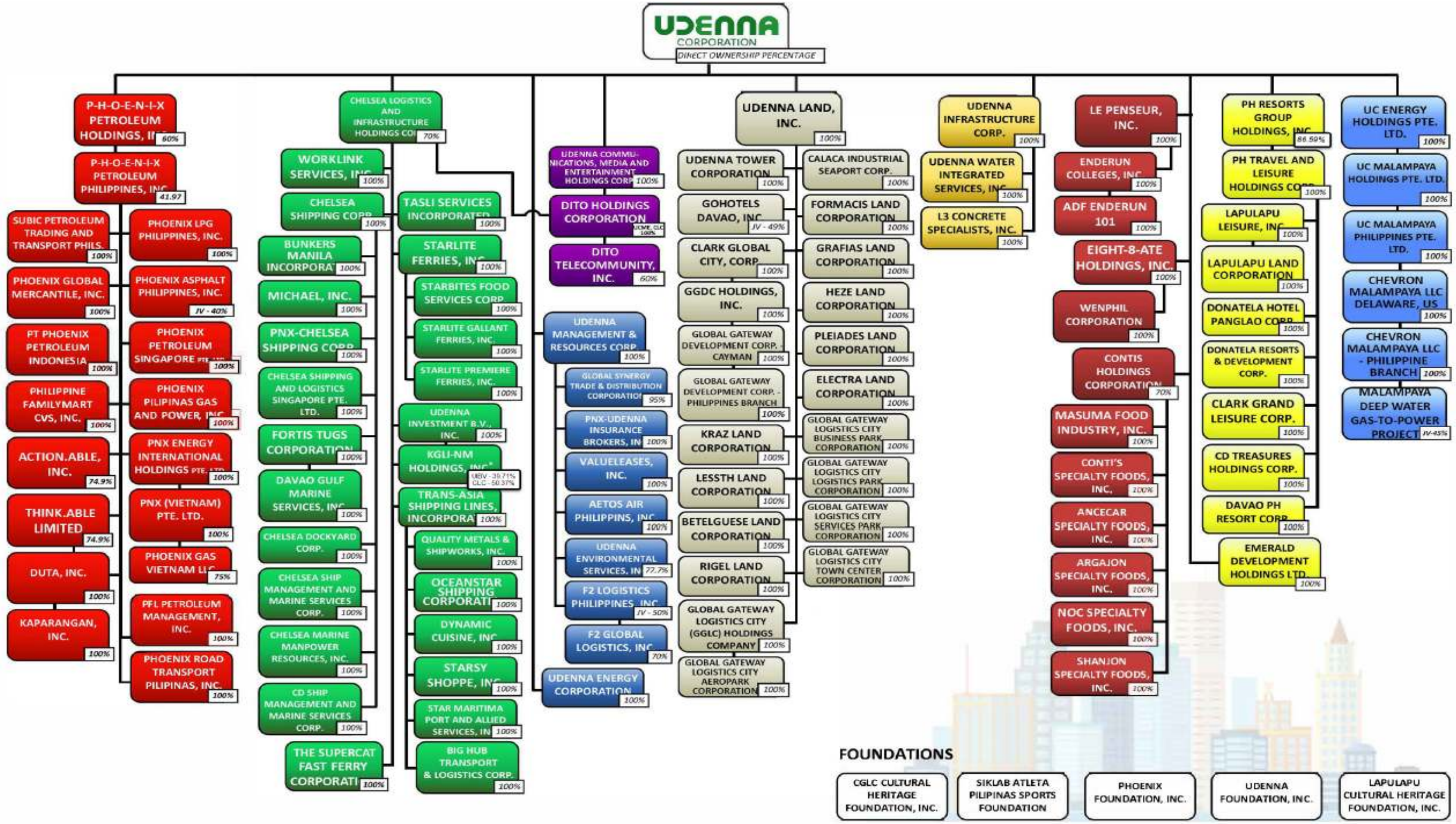
CHELSEA LOGISTICS AND INFRASTRUCTURE HOLDINGS CORP. AND SUBSIDIARIES

(Formerly Chelsea Logistics Holdings Corp.)

(A Subsidiary of Udenna Corporation)

Map Showing the Relationship Between and Among Related Entities

December 31, 2020



***CLC has indirect ownership in 2GO Group, Inc. of 28.18%**

P&A Grant Thornton
An instinct for growth™

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The Enterprise Center
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Philippines

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Report of Independent Auditors on Components of Financial Soundness Indicators

The Board of Directors and Stockholders
Chelsea Logistics and Infrastructure Holdings Corp. and Subsidiaries
(Formerly Chelsea Logistics and Holdings Corp.)
(A Subsidiary of Udenna Corporation)
Stella Hizon Reyes Road
Bo. Pampanga, Davao City

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of Chelsea Logistics and Infrastructure Holdings Corp. and Subsidiaries (the Group) for the year ended December 31, 2020, on which we have rendered our report dated April 14, 2021. Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purposes of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2020 and 2019 and for each of the three years in the year ended December 31, 2020 and no material exceptions were noted.

PUNONGBAYAN & ARAULLO

By: Ramilito L. Nañola
Partner

CPA Reg. No. 0090741
TIN 109-228-427
PTR No. 8533235, January 4, 2021, Makati City
SEC Group A Accreditation
Partner - No. 0395-AR-4 (until Sept. 16, 2022)
Firm - No. 0002 (until Dec. 31, 2024)
BIR AN 08-002511-19-2020 (until Dec. 21, 2023)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Jul. 24, 2021)

April 14, 2021

CHELSEA LOGISTICS AND INFRASTRUCTURE HOLDINGS CORP. AND SUBSIDIARIES
(Formerly Chelsea Logistics Holdings Corp.)
(A Subsidiary of Udenna Corporation)
FINANCIAL SOUNDNESS INDICATORS
DECEMBER 31, 2020, 2019 and 2018
(Amounts in Philippine Pesos)

	2020		2019		2018	
I. CURRENT/LIQUIDITY RATIOS						
Current Ratio						
Current Assets	**4,988,454,660**		5,054,626,005		6,494,469,874	
Current Liabilities	**16,760,814,025**	**0.30**	18,077,287,660	0.28	10,125,567,809	0.64
Acid Test Ratio						
Current Assets - Inventories and Other Current Assets	**3,128,250,551**		3,419,164,187		5,005,044,409	
Current Liabilities	**16,760,814,025**	**0.19**	18,077,287,660	0.19	10,125,567,809	0.49
II. SOLVENCY RATIOS						
Debt-to-assets Ratio						
Total Liabilities	**27,868,825,957**		28,550,652,121		19,366,302,118	
Total Assets	**37,354,632,374**	**0.75**	41,004,197,509	0.70	32,291,255,323	0.60
III. DEBT-TO-EQUITY RATIO						
Debt-to-equity Ratio						
Total Liabilities	**27,868,825,957**		28,550,652,121		19,366,302,118	
Total Equity	**9,485,806,417**	**2.94**	12,453,545,388	2.29	12,924,953,205	1.50
ASSET-TO-EQUITY RATIO						
Asset-to-equity Ratio						
Total Assets	**37,354,632,374**		41,004,197,509		32,291,255,323	
Total Equity	**9,485,806,417**	**3.94**	12,453,545,388	3.29	12,924,953,205	2.50
IV. INTEREST RATE COVERAGE RATIO						
Interest Coverage Ratio						
EBITDA	**205,417,084**		2,010,500,098		1,472,284,458	
Interest Expense	**1,300,967,463**	**0.16**	1,223,993,922	1.64	776,933,861	1.89
V. PROFITABILITY RATIOS						
Return on equity						
Net Profit (Loss)	**(3,310,949,604)**		(831,761,000)		(550,532,956)	
Shareholders' equity	**9,485,806,417**	**(0.35)**	12,453,545,388	(0.07)	12,924,953,205	(0.04)
Return on assets						
Net Profit (Loss)	**(3,310,949,604)**		(831,761,000)		(550,532,956)	
Total Assets	**37,354,632,374**	**(0.09)**	41,004,197,509	(0.02)	32,291,255,323	(0.02)
Net Profit Ratio						
Net Profit (Loss)	**(3,310,949,604)**		(831,761,000)		(550,532,956)	
Total Revenues	**4,678,919,363**	**(0.71)**	7,220,216,042	(0.12)	5,318,712,412	(0.10)
Gross Profit Ratio						
Gross Profit	**(619,135,360)**		1,630,996,704		1,489,169,407	
Total Revenues	**4,678,919,363**	**(0.13)**	7,220,216,042	0.23	5,318,712,412	0.28
EBITDA Margin						
EBITDA	**205,417,084**		2,010,500,098		1,472,284,458	
Total Revenues	**4,678,919,363**	**4%**	7,220,216,042	28%	5,318,712,412	28%
VI. OTHER RATIOS						
Book Value Per Share						
Total Equity	**9,275,443,148**		12,273,545,388		12,744,953,205	
Number of Shares Outstanding	**1,821,977,615**	**5.09**	1,821,977,615	6.74	1,821,977,615	7.00
Earnings Per Share						
Net Profit (Loss)	**(3,310,949,604)**		(831,761,000)		(550,532,956)	
Weighted Average No. of Shares	**1,821,977,615**	**(1.82)**	1,821,977,615	(0.46)	1,821,977,615	(0.30)

ANNEX C

SUSTAINABILITY REPORT

Contextual Information

Company Details	
Name of Organization	Chelsea Logistics and Infrastructure Holdings Corp. (CLIHC)
Location of Headquarters	Stella Hizon Reyes Road, Bo. Pampanga, Davao City Philippines 8000
Location of Operations	Nationwide Operations
Report Boundary: Legal entities (e.g. subsidiaries) included in this report*	Chelsea Shipping Corp., Trans-Asia Shipping Lines, Incorporated, Starlite Ferries, Inc., Worklink Services, Inc., The Supercat Fast Ferry Corporation, TASLI Services Incorporated
Business Model, including Primary Activities, Brands, Products, and Services	Tankering, Cargo Shipping/Freight, Passenger Shipping, Tugboat Services and Logistics & Warehousing
Reporting Period	FY2020
Highest Ranking Person responsible for this report	Chryss Alfonsus V. Damuy President & CEO

Materiality Process

Explain how you applied the materiality principle (or the materiality process) in identifying your material topics.[14]
The scope of this Sustainability Report extends to CLIHC's 6 main subsidiaries over which it has direct ownership control: Chelsea Shipping Corp., Trans-Asia Shipping Lines, Incorporated, Starlite Ferries, Inc., Worklink Services, Inc., The Supercat Fast Ferry Corporation and TASLI Services Incorporated. These 6 subsidiaries have material contributions and impact on the Group in terms of business operations and continuity. Due to the Chelsea Group's broad operations in the shipping and logistics sectors which cater to various corporate and retail accounts, this Report limits the scope to the general and common issues to be able to provide a clear introduction to the Group's operations.

Economic Performance

Direct Economic Value Generated and Distributed

Disclosure	Amount	Units
Direct economic value generated (revenue)	4,679	₱ mn
Direct economic value distributed:		₱ mn
a. Operating costs	7,102	₱ mn
b. Employee wages and benefits	1,772	₱ mn
c. Payments to suppliers, other operating costs	Refer to a	₱ mn
d. Dividends given to stockholders and interest payments to loan providers	1,057*	₱ mn
e. Taxes given to government	409**	₱ mn
f. Investments to community (e.g. donations, CSR)	1.03	₱ mn

*Interest Payments for 2020

**Tax Expense for 2020

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
CLIHC's core businesses include Tankering, Freight, Passage, Tugboat services and Logistics Services. CLIHC takes pride in transporting passengers throughout the archipelago, as passage shipping remains the economically efficient way to move people in the country. CLIHC's tankering, cargo transport, logistics and tugboat services supports various businesses across the country. Shipping is the primary means of inter-island transport, especially for bulk goods. CLIHC's core businesses play vital roles in economic growth and development.	Shareholders Employees Government Customers Suppliers Various Communities	The Management is focused on modernizing and right-sizing our vessel fleet, ramping up our logistics and warehousing capacity, and synergizing all our operations. CLIHC also aims to contribute to the improvement of the shipping industry by applying the best practices in ship management and in adhering to global standards.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
• Maritime vessels are susceptible to maritime accidents and mechanical breakdowns • Changes in the regulatory environment • Highly-competitive industry • Business cycle risks For more information, please see 17A, Item 2	Shareholders Employees Government Customers Suppliers Various Communities	Please see 17A, Item 2
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
The Philippines has a robust economic growth, increasing GDP per Capita, increasing OFW remittances and tourist arrivals, and evident growth in the e-commerce sector.	Shareholders Employees Government Customers Suppliers Various Communities	All of CLIHC's core businesses support its main economic growth thrust which in turn, would be valuable to all our stakeholders.

Climate-related risks and opportunities

CLIHC and its main subsidiaries have focused on growing the core businesses in the last 4 years through various acquisitions and fleet modernization and right-sizing program. CLIHC acknowledges the need to identify and manage climate-related risks and take advantage of opportunities that come. While the Group is in the process of synergizing its operations, with climate-related risks and safety at the top of mind, hereunder is a snapshot of its accomplishment regarding this matter for 2020:

Governance	Strategy	Risk Management	Metric and Targets
Safety Management	Ensure satisfactory Quality Management	Regular internal audit of our processes	Achieved ISO 9001:2015 Certification in January 2020
Vessel Maintenance	Ensure quality control in the shipping environment	Planned investments in vessel maintenance	Compliance with pertinent MARINA regulations

Procurement Practices

Proportion of spending on local suppliers

Disclosure	Amount	Units
Percentage of procurement budget used for significant locations of operations that is spent on local suppliers	90	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Helps the local economy.	Shareholders Employees Government Customers Suppliers Various communities	CLIHC Procurement Department is focused on helping local markets by building networks with international companies with presence in the country. When these companies look for local suppliers for their operational requirements, CLIHC refers them to local suppliers.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
High Cost: Mark-up from several channels the products or services went through before the Company receives the same. Government fees should also be taken into account.	Shareholders Employees Suppliers Procurement Officers Clients	CLIHC Procurement Department draws up plan for consolidated purchase prior to selection of credible suppliers, for restricted tendering.

Lead Time: Suppliers are dependent on Genuine Makers/ Dealers overseas' readiness to supply. After Sales. Many steps to be completed before getting feedback on warranty. Suppliers' Company Stability		CLIHC Procurement Department administers bidding processes maintaining 3 quotes per request.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Low production cost and fast production cycle Improvement of public relations Accurate budget forecasting	Order requestor Suppliers Procurement Officers Clients	CLIHC Procurement Department ensures strategic sourcing process with utmost transparency and accountability.

Anti-corruption

Training on Anti-corruption Policies and Procedures

Disclosure	Amount	Units
Percentage of employees to whom the organization's anti-corruption policies and procedures have been communicated to	100%	%
Percentage of business partners to whom the organization's anti-corruption policies and procedures have been communicated to	100%	%
Percentage of directors and management that have received anti-corruption training	100%	%
Percentage of employees that have received anti-corruption training	100%	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
None	Not applicable	Not applicable
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
None	Not applicable	Not applicable

Incidents of Corruption

Disclosure	Amount	Units
Number of incidents in which directors were removed or disciplined for corruption	None	#
Number of incidents in which employees were dismissed or disciplined for corruption	None	#
Number of incidents when contracts with business partners were terminated due to incidents of corruption	None	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
None	Not applicable	Not applicable
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
None	Not applicable	Not applicable

Resource Management

Energy consumption within the organization:

Disclosure	Quantity	Units
Energy consumption (renewable sources)	N/A	GJ
Energy consumption (gasoline)	20,000**	Liters
Energy consumption (LPG)	2,050**	Kg
Energy consumption (diesel)	74.50 million*	Liters
Energy consumption (electricity)	20 KWh (on 13 Tankers generating cap. of 300 KW) and 18 Tugs with 200 KW generating capacity)***	kWh

*For Chelsea Shipping Starlite Ferries
**For Starlite Ferries
***For Chelsea Shipping Corp.

Reduction of energy consumption

Disclosure	Quantity	Units
Energy reduction (gasoline)	N/A	GJ

Energy reduction (LPG)	N/A	GJ
Energy reduction (diesel)	1.30 million	Liters
Energy reduction (electricity)	N/A	kWh
Energy reduction (gasoline)	N/A	GJ

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Which stakeholders are affected?**	**Management Approach**
The energy consumption is a major direct cost for the Group.	Shareholders Management Employees	We try to save our resources by implementing the following rules and procedures: Safe and Shortest route of Navigation Close monitoring day to day operation Control of daily Consumption Sounding of Tanks
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Fluctuating energy prices	Shareholders Management Employees	We do not keep inventories of oil and electricity as most of our operations are in the country.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Purchase of Diesel (our major direct cost) from a sister company—Phoenix Petroleum	Shareholders Management Employees	Purchase of diesel from a sister company would help the Company save on costs.

Water consumption within the organization:

Disclosure	**Quantity***	**Units**
Water withdrawal	Est 70,000	Cubic meters
Water consumption	Est 5 per day	Cubic meters
Water recycled and reused	N/A	Cubic meters

*For Chelsea Shipping Corp.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
None	Not applicable	Not applicable
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
None	Not applicable	Not applicable

Materials used by the organization:

Disclosure	Quantity	Units
Materials used by weight or volume		
• Renewable	N/A	Kg/liters
• Non-renewable	ADO - Est. 60 million Intermediate Fuel Oil – 1.2 million	Liters
Percentage of recycled input materials used to manufacture the rganization's primary products and services	N/A	

*For Chelsea Shipping Corp.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
None	Not applicable	Not applicable
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
None	Not applicable	Not applicable

Ecosystems and biodiversity (whether in upland/watershed or coastal/marine)

Disclosure	Quantity	Units
Operational sites owned, leased, managed in, or adjacent to protected areas and areas of high biodiversity value outside protected areas shore areas ?	N/A	
Habitats protected or restored our shore clean up and tree-planting activities ?	5,208	trees planted
IUCN[17] Red List species and national conservation list species with habitats in areas affected by operations	N/A	

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
None	Not applicable	Not applicable
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
None	Not applicable	Not applicable

Environmental impact management

Air Emissions

GHG

Disclosure	Quantity	Units
Direct (Scope 1) GHG Emissions	N/A	Tonnes CO2e
Energy indirect (Scope 2) GHG Emissions	N/A	Tonnes CO2e
Emissions of ozone-depleting substances (ODS)	Freon 404A - Est. 300 kg per year for 10 vessels	Tonnes

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
None	Not applicable	Not applicable
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
None	Not applicable	Not applicable

Air pollutants

Disclosure	Quantity	Units
NOx	N/A	Kg
Sox	ADO - Est 64	Kg
Persistent organic pollutants (POPs)	N/A	Kg
Volatile organic compounds (VOCs)	N/A	Kg
Hazardous air pollutants (HAPs)	N/A	Kg
Particulate matter (PM)	N/A	Kg

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
None	Not applicable	Not applicable
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
None	Not applicable	Not applicable

Solid and Hazardous Wastes

Solid Waste

Disclosure	Quantity	Units
Total solid waste generated	N/A	Kg
Reusable	N/A	Kg
Recyclable	N/A	Kg
Composted	N/A	Kg
Incinerated	N/A	Kg
Residuals/Landfilled	Est. 5 drums per vessel	Kg

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
None	Not applicable	Not applicable
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
None	Not applicable	Not applicable

Hazardous Waste

Disclosure	Quantity	Units
Total weight of hazardous waste generated	N/A	kg
Total weight of hazardous waste transported	N/A	kg

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
None	Not applicable	Not applicable
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**

None	Not applicable	Not applicable

Effluents

Disclosure	Quantity	Units
Total volume of water discharges	120	Cubic meters
Percent of wastewater recycled	N/A	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
None	Not applicable	Not applicable
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
	n/a	

Environmental compliance

Non-compliance with Environmental Laws and Regulations

Disclosure	Quantity	Units
Total amount of monetary fines for non-compliance with environmental laws and/or regulations	None	₱
No. of non-monetary sanctions for non-compliance with environmental laws and/or regulations	None	#
No. of cases resolved through dispute resolution mechanism	None	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**

None	Not applicable	Not applicable
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
None	Not applicable	Not applicable

Employee Management

Employee Hiring and Benefits

Employee data

Disclosure	Quantity	Units
Total number of employees[18]		
a. Number of female employees	467	#
b. Number of male employees	1653	#
Attrition rate[19]	21	rate
Ratio of lowest paid employee against minimum wage	n/a	ratio

Employee benefits

List of Benefits	Y/N	% of female employees who availed for the year	% of male employees who availed for the year
SSS	Y	15	53
PhilHealth	Y*	2	5
Pag-ibig	Y*	5	12
Parental leaves	Y*	1	1
Vacation leaves	Y	100.00	100.00
Sick leaves	Y	53	39
Medical benefits (aside from PhilHealth))	Y*	45	65

Housing assistance (aside from Pag-Ibig	Y	0.00	0.00
Retirement fund (aside from SSS)	Y	0.00	0.06
Further education support	Y	0	0
Company stock options	Y	65	65
Telecommuting	Y	49	43
Flexible-working Hours	Y	100	100
(Others)			

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Employee benefits are significant and a key to attract and retain talents, it enables the organization to provide a positive work environment. It creates a culture of productive workforce.	Shareholders Employees Government Customers Suppliers	*Employee benefits policies and guidelines are reviewed regularly and aligned according to the needs of the people.*
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
None	Not applicable	Not applicable
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
None	Not applicable	Not applicable

Employee Training and Development

Disclosure	Quantity	Units
Total training hours provided to employees		
a. Female employees	3777	Hours
b. Male employees	13391	Hours
Average training hours provided to employees		
a. Female employees	8.10	hours/employee
b. Male employees	8.09	hours/employee

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Trainings conducted in compliance to DOLE and to improve employee productivity	Shareholders Employees Government Customers Suppliers	As the organization began consolidating services to its subsidiaries, one of the key training needed is for backend support using SAP and various business applications modules to adjust to the new normal. Occupational Safety Training as a requirement of DOLE was implemented last year and is being continued currently, this will be an ongoing basic training for all employees. For functional training for the enhancement of knowledge and application, particularly for shipping, this has great impact on the day to day operations of vessels. Impact is on operations and back end support. The Company conducts internal training and its impact is continuously evaluated particularly for functional training. The Company conducts yearly competency-based learning per organizational level. This training is also evaluated for improvement and to know additional training needed.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
The risk of employees who underwent training but for one reason or another had to leave the company.	Shareholders Employees Government Customers Suppliers	The Company requires echo training and coaching of staff or colleagues and apart from the reciprocal agreement where the employee will have to stay and fulfil the reciprocal agreement term or its monetary equivalent.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**

Improved employee performance through training gives higher chances of achievement of company goals, profitability and sustainability. The satisfaction and morale of employees will also improve as training which is an investment of the company for the employee/s shows that they are being valued.	Shareholders Employees Government Customers Suppliers	Training targets the weaknesses of employees. It will then eventually increase productivity and adherence to quality standards.

Labor-Management Relations

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Which stakeholders are affected?**	**Management Approach**
Collective bargaining can help build trust and mutual respect between employers, workers and their organizations, and contribute to stable and productive labour relations.	Shareholders Employees	Townhalls and employee engagements
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Company may endure higher labor cost with demand of benefits and may decrease labor control	Shareholders Employees	The Company maintains its open communication with the employees with different mediums, such as Advisories, quarterly Townhalls, etc., to update the employees of the Company's standing in attaining its goals.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
The yearly agreements with the employees can help in improving productivity levels.	Shareholders Employees	Transparent communication with the employees encourages support and cooperation to be able to attain certain targets for the benefit of everyone.

Disclosure	**Quantity**	**Units**
% of employees covered with Collective Bargaining Agreements	17.5	%
Number of consultations conducted with employees concerning employee-related policies	3	#

Diversity and Equal Opportunity

Disclosure	Quantity	Units
% of female workers in the workforce	22	%
% of male workers in the workforce	78	%
Number of employees from indigenous communities and/or vulnerable sector*	7 (solo parent)	#

**Vulnerable sector includes, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E).*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
None	Not applicable	Not applicable
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
	Employees	The company supports the law about Solo Parent and complies with its regulatory requirement

Workplace Conditions, Labor Standards, and Human Rights

Occupational Health and Safety

Disclosure	Quantity	Units
Safe Man-Hours	871,411	Man-hours
No. of work-related injuries	0	#
No. of work-related fatalities	0	#
No. of work related ill-health	0	#
No. of safety drills	N/A	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Health & Physical Impact Business Impact	Employees Customers Management	Management is involved in safety & health programs and must participate in Safety meetings. Encourage employee to report incidents Regular HSSE Meetings & OSHA Compliance) Enhance Safety & Health training
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Possible DOLE/ OSHA fine & penalties Increased unnecessary costs to the organization	Employees Customers Management	Management to promote & support S&H program (regular walk around inspection) Implementation of hazard identification, Risk Assessment & JSA. Create a Safety & Health Program (DOLE
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Structure improvement to the workplace and working environment Increased S&H knowledge & awareness Improve S&H processes, procedures and programs	Employees Customers Management	Management provides a safe workplace for all employees Management support of the training courses and evaluation of effectiveness Implement a Safety & Health Program

Disclosure	Quantity	Units
No. of legal actions or employee grievances involving forced or child labor	None	#

Do you have policies that explicitly disallows violations of labor laws and human rights (e.g. harassment, bullying) in the workplace?

Topic	Y/N	If Yes, cite reference in the company policy
Forced labor	Y	Chelsea Group Handbook and Code of Conduct
Child labor	Y	Chelsea Group Handbook and Code of Conduct
Human Rights	Y	Chelsea Group Handbook and Code of Conduct

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
None	Not applicable	Not applicable
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
None	Not applicable	Not applicable

Supply Chain Management

Do you have a supplier accreditation policy? If yes, please attach the policy or link to the policy:

None, however we have provided suppliers with guidelines on accreditation and documentary requirements for submission.

Do you consider the following sustainability topics when accrediting suppliers?

Topic	Y/N	If Yes, cite reference in the company policy
Environmental performance	N/A	
Forced labor	N/A	
Child labor	N/A	
Human Rights	N/A	
Bribery and corruption	N/A	

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**

None	Not applicable	Not applicable
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
None	Not applicable	Not applicable

Relationship with Community

Significant Impacts on Local Communities

Operations with significant (positive or negative) impacts on local communities (exclude CSR projects; this has to be business operations)	Location	**Vulnerable groups (if applicable)***	**Does the particular operation have impact on indigenous people (Y/N)?**	**Collective /individual rights that have been identified that are of particular concern for the community**	**Mitigating measures (if negative) or enhancement measures (if positive)**
Disposal of Scraps in Warehouses	CSC	N/A	N	Environmental Conservation	Developing waste management plans, promoting clean and organized warehouse for efficient operations, and ensuring safety of employees.
Hiring of Female Crews in Ships (10% of manpower target for 2020)	All subsidiaries	N/A	N	Promoting Women's Rights, Gender Equality and creating new jobs for women in the society especially in the Maritime field.	One of the group's vessels already has an all-female crew, and the Company is looking into expanding this initiative to more ships.
Offering discounted fares, special	All subsidiaries	N/A	N	Access to affordable services	Engaging customers and potential customers to avail our services that are affordable

promos, and group discounts					compared to other competitors.
PWD, Senior Citizens, and Student Discounts	All subsidiaries	PWDs and Senior Citizens	N	Access to affordable services	Strengthening systems that keep track of PWDs, Seniors, and Students. Promoting good relationship and quality service leading to customer retention.
Cadetship Program	CSC	N/A	N	Employment opportunities for shipping crew	
Tourism Marketing	All subsidiaries, except Worklink	N/A	Y	Promoting local tourism to encourage locals and tourists in travelling Philippines' top destinations by sea.	

**Vulnerable sector includes children and youth, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E)*

For operations that are affecting IPs, indicate the total number of Free and Prior Informed Consent (FPIC) undergoing consultations and Certification Preconditions (CPs) secured and still operational and provide a copy or link to the certificates if available: ______________

Certificates	Quantity	Units
FPIC process is still undergoing	Not applicable	#
CP secured	Not applicable	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Not applicable	Not applicable	Not applicable

What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
Not applicable	Not applicable	Not applicable
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Not applicable	Not applicable	Not applicable

Customer Management

Customer Satisfaction

Disclosure	Score	Did a third party conduct the customer satisfaction survey? (Y/N)
Customer satisfaction	N/A	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
None	Not applicable	Not applicable
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
None	Not applicable	Not applicable

Health and Safety

Disclosure	Quantity	Units
No. of substantiated complaints on product or service health and safety*	106	#
No. of complaints addressed	106	#

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Changes in schedules and in budgeted expenses	Employees Customer Shareholders Community	The Company endeavors to continually improve its Safety Management System (SMS) by adopting new processes and procedures and other guidelines for best practices in accordance with International Shipping Standards. The Company is also enhancing its Ship modernization program. The Company also ensures that each ship is manned by only qualified, certificated and medically-fit seafarers in accordance with national and international requirements, the Company has developed procedures to ensure sufficiency of its resources in terms of personnel. Safety procedures, emergency procedures, planned maintenance system, training manual, job description, job safety analysis and garbage management have been clearly stipulated in the Company's established system.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Possible customer dissatisfaction Possible damage to vessel, damage to property and accident continue to occur in our organization despite our identified corrective/preventive actions.	Employees Customer Shareholders Community	All employees of the Company are mandated to strictly adhere to its established system, specifically on its Safety and Environmental Protection Policy. The Company aims to provide a secure environment for all its employees, contractors and clients, thus Security Policy has been developed whereby all employees and contractors are expected to comply with the set of security measures and all requirements of the law. They shall take all necessary precautions to protect

		themselves, their colleagues, the ship, cargoes, passengers and the environment from all criminal or malicious acts.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Opportunity to improve our products and services	Employees Customer Shareholders Community	Crew Training Program

Marketing and labelling

Disclosure	Quantity	Units
No. of substantiated complaints on product or service health and safety*	19	#
No. of complaints addressed	19	#

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
None	Not applicable	Not applicable
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
None	Not applicable	Not applicable

Customer Privacy

Disclosure	Quantity	Units
No. of substantiated complaints on customer privacy*	None	#
No. of complaints addressed	None	#
No. of customers, users and account holders whose information is used for secondary purposes	None	#

**Substantiated complaints include complaints from customers that went through the organization's*

formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Not applicable	Not applicable	Not applicable
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Not applicable	Not applicable	Not applicable
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Not applicable	Not applicable	Not applicable

Data Security

Disclosure	Quantity	Units
No. of data breaches, including leaks, thefts and losses of data	None	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
None	Not applicable	Not applicable
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
None	Not applicable	Not applicable

Product or Service Contribution to UN SDGs

Key products and services and its contribution to sustainable development.

Key Products and Services	Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
Tankering Services, Freight, Passenger Transport, Tugboat service &Logistics & Warehousing		**Increased Carbon Imprint** **Harmful chemical waste to the environment** **Health & Safety risk for the crews and employees**	**Ship modernization program** **Optimized routes for tankers to lessen travel time decreasing carbon imprint.** **Health & Safety guidelines, seminars, PPEs, and hazard pay for crews and employees**

None/Not Applicable is not an acceptable answer. For holding companies, the services and products of its subsidiaries may be disclosed.

SIGNATURES

Pursuant to the requirements of Section 17 of the SRC and Section 141 of the Corporation Code, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in TAGUIG CITY on 19 APRIL 2021.

CHELSEA LOGISTICS AND INFRASTRUCTURE HOLDINGS CORP.

Pursuant to the requirement of the Securities Regulations Code, this Annual Report has been signed by the following persons in their capacities and on the dates indicated.

By:

DENNIS A. UY Chairman of the Board	-APR 19 Date	**CHRYSS ALFONSUS V. DAMUY** President & CEO	-APR 19 Date
IGNACIA S. BRAGA IV Chief Financial Officer	-APR 19 Date	**MA. HENEDINA V. SAN JUAN** Corporate Secretary	-APR 19 Date

SUBSCRIBED AND SWORN to before me this 19 APRIL 2021 at TAGUIG CITY, affiants exhibiting to me their identifications, as follows:

NAME	ID NO.	DATE OF ISSUE	PLACE OF ISSUE
DENNIS A. UY	DL# L06-90-025357	Valid until 26 September 2024	
CHRYSS ALFONSUS V. DAMUY	DL# K02-99-079309	Valid until 26 September 2024	
IGNACIA S. BRAGA IV	DL# L02-95-107924	Valid until 6 September 2023	
MA. HENEDINA V. SAN JUAN	DL# N06-84-035705	Valid until 1 September 2022	

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Jacqueline B. Veloria Mejia
Appointment No. 57 (2020-2021)
Notary Public for and in Taguig City
Until December 31, 2021
APO 128, Rainbow Ridge Condominiums
M.L. Quezon Avenue, Taguig City 1632
Roll No. 34149 / 06-2-86
IBP No. 097047 / 12-10-19 / Pasig City
PTR No. 934991C / 1-7-20 / QC
MCLE Compliance No. VI-002073