COVER SHEET

CS201619734
S.E.C. Registration Number

CHELSEA LOGISTICS AND INFRASTRUCTURE HOLDINGS CORP. AND SUBSIDIARIES

(Company's Full Name)

STELLA HIZON REYES ROAD, BO. PAMPANGA, DAVAO CITY

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

igna.braga@udenna.ph	**8403-4015**
Contact Person	Company Telephone Number

12	31	17-Q1	03	15
Month	*Day*	FORM TYPE	*Month*	*Day*
Fiscal Year			Annual Meeting	

N / A

Secondary License Type, If Applicable

SEC	**N/A**
Dept. Requiring this Doc.	Amended Articles Number/Section

Total Amount of Borrowings

18	**16,964,924,454**	-
Total No. of Stockholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number	LCU
Document I.D.	Cashier

S T A M P S

Remarks = pls. use black ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended **31 March 2021**

2. Commission identification number **CS201619734**

3. BIR Tax Identification No **009-393-167-000**

4. Exact name of issuer as specified in its charter **CHELSEA LOGISTICS AND INFRASTRUCTURE HOLDINGS CORP.**

5. Province, country or other jurisdiction of incorporation or organization **Davao City, Philippines**

6. Industry Classification Code: [ ] (SEC Use Only)

7. Address of issuer's principal office Postal Code
   Stella Hizon Reyes Road, Bo. Pampanga, Davao City, Philippines 8000

8. Issuer's telephone number, including area code **+63 82 224 5373**

9. Former name, former address and former fiscal year, if changed since last report
   Formerly CHELSEA LOGISTICS CORP.

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each class	Number of shares outstanding
COMMON	**1,821,977,615**

Amount of debt outstanding: **PHP16,964,924,454**

11. Are any or all of the securities listed on a Stock Exchange?

Yes [✓] No [ ]

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

PHILIPPINE STOCK EXCHANGE **COMMON SHARES**

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 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 the registrant was required to file such reports)

Yes [✓] No [ ]

(b) has been subject to such filing requirements for the past ninety (90) days.

Yes [✓] No [ ]

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CHELSEA LOGISTICS AND INFRASTRUCTURE HOLDINGS CORP. AND SUBSIDIARIES

(Formerly Chelsea Logistics Holdings Corp.)

(A Subsidiary of Udenna Corporation)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

MARCH 31, 2021 AND DECEMBER 31, 2020

(Amounts in Philippine Pesos)

	Notes	**March 31, 2021 (Unaudited)**	December 31, 2020 (Audited)
A S S E T S			
CURRENT ASSETS			
Cash and cash equivalents	4	**P 178,092,142**	P 139,206,973
Trade and other receivables - net	5	**1,780,580,725**	1,586,182,618
Financial assets at fair value through profit or loss	6	**2,266,150**	2,266,150
Inventories	7	**694,244,554**	612,621,321
Advances to related parties	21	**1,389,094,810**	1,400,594,810
Other current assets	8	**1,458,214,056**	1,247,582,788
Total Current Assets		**5,502,492,437**	4,988,454,660
NON-CURRENT ASSETS			
Property and equipment - net	9	**21,167,610,974**	21,503,706,760
Investments in associates and a joint venture	10	**874,395,827**	973,227,383
Goodwill	25	**1,848,378,146**	1,848,378,146
Post-employment benefit asset	18	**5,955,204**	5,955,204
Deferred tax assets - net	20	**154,253,854**	154,253,854
Other non-current assets - net	12	**544,276,587**	477,459,596
Total Non-current Assets		**24,594,870,592**	24,962,980,943
NON-CURRENT ASSETS HELD FOR SALE	11, 25	**7,374,463,366**	7,403,196,771
TOTAL ASSETS		**P 37,471,826,395**	P 37,354,632,374

	Notes	**March 31, 2021 (Unaudited)**	December 31, 2020 (Audited)
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Trade and other payables	14	**P 8,708,414,584**	P 8,427,435,314
Interest-bearing loans and borrowings	13	**6,411,256,101**	6,444,663,379
Redeemable preference shares	15	**1,230,436,441**	1,230,436,441
Advances from related parties	21	**588,084,016**	587,784,015
Advances from customers	2	**67,391,934**	63,121,704
Income tax payable		**12,846,354**	7,373,172
Total Current Liabilities		**17,018,429,430**	16,760,814,025
NON-CURRENT LIABILITIES			
Interest-bearing loans and borrowings	13	**10,553,668,353**	10,562,307,847
Post-employment benefit obligation	18	**113,786,341**	113,786,341
Deferred tax liabilities - net	20	**356,683,800**	356,683,800
Other non-current liabilities		**111,526,921**	75,233,944
Total Non-current Liabilities		**11,135,665,415**	11,108,011,932
Total Liabilities		**28,154,094,845**	27,868,825,957
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	**712,596,200**	662,596,200
Additional paid-in capital	22	**9,998,370,157**	9,998,370,157
Share options outstanding	10	**16,869,063**	16,869,063
Revaluation reserves	22	**1,186,293,872**	1,201,437,920
Other reserves	22	**(1,058,033,280)**	(1,058,033,280)
Deficit		**(3,570,705,346)**	(3,367,774,527)
		9,107,368,281	9,275,443,148
Non-controlling interest	22	**210,363,269**	210,363,269
Total Equity		**9,317,731,550**	9,485,806,417
TOTAL LIABILITIES AND EQUITY		**P 37,471,826,395**	P 37,354,632,374

See Notes to Interim 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 THREE MONTHS ENDED MARCH 31, 2021, 2020 AND 2019
(Amounts in Philippine Pesos)

	Notes	2021	2020	2019
REVENUES	26			
Freight		**P 618,099,766**	P 516,993,049	P 522,264,436
Charter fees	21	**241,618,608**	400,704,138	509,920,189
Passage		**71,178,784**	412,793,800	295,942,344
Other service revenues		**130,457,136**	156,386,725	157,546,670
Tugboat fees		**75,158,909**	86,226,043	81,729,567
Sale of goods		**17,316,597**	36,362,305	14,537,528
Standby charges	21	**508,061**	3,488,095	16,837,614
		1,154,337,861	1,612,954,155	1,598,778,348
COST OF SALES AND SERVICES	16	**1,144,145,949**	1,255,946,607	1,008,000,660
OTHER OPERATING EXPENSES	17	**166,561,768**	317,197,763	209,907,582
OPERATING PROFIT (LOSS)		**(156,369,856)**	39,809,785	380,870,106
OTHER INCOME (CHARGES) - Net				
Finance costs	19	**(277,476,403)**	(350,822,961)	(255,530,222)
Share in net loss of associates	10	**(98,831,556)**	(133,392,342)	(93,315,477)
Finance income	19	**3,538,536**	4,787,251	2,569,003
Other income	19	**311,106,432**	62,386,520	67,536,543
		(61,662,991)	(417,041,532)	(278,740,153)
LOSS BEFORE TAX		**(218,032,847)**	(377,231,747)	102,129,953
TAX EXPENSE (INCOME)	20	**42,019**	(32,149,046)	(36,580,213)
NET LOSS		**(P 218,074,866)**	(P 345,082,701)	P 138,710,166
Loss Per Share (Basic and Diluted)	23	**(P 0.120)**	(P 0.189)	P 0.076

See Notes to Interim 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 THREE MONTHS ENDED MARCH 31, 2021, 2020 AND 2019
(Amounts in Philippine Pesos)

	Notes	2021	2020	2019
NET LOSS		**(P 218,074,866)**	(P 345,082,701)	P 138,710,166
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Revaluation of vessels	9	-	-	(78,429,643)
Items that will be reclassified subsequently to profit or loss:				
Currency exchange differences on translating financial statements of foreign operations	2	-	154,306	30,361
Other Comprehensive Income (Loss) - net of tax		-	154,306	(78,399,282)
TOTAL COMPREHENSIVE LOSS		**(P 218,074,866)**	(P 344,928,395)	P 60,310,884

See Notes to Interim 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 THREE MONTHS ENDED MARCH 31, 2021, 2020 AND 2019
(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, 2021		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
Deposits received on future stock subscriptions	22	-	50,000,000	-	-	-	-	-	50,000,000	-	50,000,000
Additions from acquired subsidiary	25	-	-	-	-	-	-	-	-	-	-
Total comprehensive loss for the year											
Net loss		-	-	-	-	-	-	(218,074,866)	(218,074,866)	-	(218,074,866)
Transfer of revaluation reserves through depreciation, net of tax	22	-	-	-	-	(15,144,048)	-	15,144,048	-	-	-
Balance at March 31, 2021	22	**P 1,821,977,615**	**P 712,596,200**	**P 9,998,370,157**	**P 16,869,063**	**P 1,186,293,872**	**(P 1,058,033,280)**	**(P 3,570,705,346)**	**P 9,107,368,282**	**P 210,363,269**	**P 9,317,731,551**
Balance at January 1, 2019, after adoption of PFRS 16		P 1,821,977,615	P -	P 9,998,370,157	P -	P 1,302,866,245	(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		-	-	-	-	-	-	(345,082,701)	(345,082,701)	-	(345,082,701)
Other comprehensive income		-	-	-	-	154,306	-	-	154,306	-	154,306
Transfer of revaluation reserves through depreciation, net of tax	22	-	-	-	-	(20,023,906)	-	20,023,906	-	-	-
Balance at March 31, 2020	22	P 1,821,977,615	P -	P 9,998,370,157	P -	P 1,282,996,645	(P 1,058,033,280)	P 143,520,415	P 12,383,834,962	P 180,000,000	P 12,563,834,962
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		-	-	-	-	-	-	138,710,166	138,710,166	-	138,710,166
Other comprehensive income		-	-	-	-	(78,399,282)	-	-	(78,399,282)	-	(78,399,282)
Transfer of revaluation reserves through depreciation, net of tax		-	-	-	-	(48,651,477)	-	48,651,477	-	-	-
Balance at March 31, 2019		P 1,821,977,615	P -	P 9,998,370,157	P -	P 1,302,866,245	(P 1,058,033,280)	P 1,152,518,559	P 13,217,699,296	P 180,000,000	P 13,397,699,296

See Notes to Interim 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 THREE MONTHS ENDED MARCH 31, 2021, 2020 AND 2019
(Amounts in Philippine Pesos)

	Notes	2021	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss before tax		(P 218,032,847)	(P 377,231,747)	P 102,129,953
Adjustments for:				
Depreciation and amortization	9, 12	400,702,954	368,708,471	275,869,359
Interest expense	19	273,315,660	350,460,823	254,937,670
Share in net loss of associates	10	98,831,556	133,392,342	93,315,477
Gain on sale of property and equipment	19	-	(48,776,371)	-
Interest income	19	(3,538,536)	(140,978)	(1,553,241)
Unrealized foreign currency exchange gains - net	19	-	1,300,000	(1,015,764)
Operating profit before working capital changes		551,278,787	427,712,540	723,683,454
Decrease (increase) in trade and other receivables		(194,398,107)	(345,216,546)	(225,881,153)
Increase in inventories		(81,623,233)	(26,071,871)	123,503,165
Decrease (increase) in advances to related parties		11,500,000	(139,367,963)	566,209,882
Increase in other current assets		(205,158,086)	148,379,375	(45,627,730)
Decrease (increase) in other non-current assets		(67,609,098)	(6,892,346)	(199,924,851)
Increase in trade and other payables		37,089,233	(54,426,163)	8,248,221
Decrease in advances from customers		4,270,230	(19,950,135)	-
Increase (decrease) in other non-current liabilities		36,292,977	1,064,172	(58,792,374)
Cash generated from operations		91,642,703	(14,768,937)	891,418,614
Interest received		3,538,536	140,978	1,553,241
Cash paid for income taxes		(42,020)	(15,540)	(319,342)
Net Cash From Operating Activities		95,139,219	(14,643,499)	892,652,513
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from disposal of property and equipment	9	-	491,709,045	16,774,894
Proceeds from disposal of other non-current assets held for sale		28,733,405	-	-
Acquisitions of property and equipment	9	(63,815,061)	(301,743,495)	(362,821,717)
Additional investment in a subsidiary and a joint venture	10, 22	-	-	(5,758,877)
Net Cash From (Used in) Investing Activities		(35,081,656)	189,965,550	(351,805,700)
Balance carried forward		P 60,057,563	P 175,322,051	P 540,846,813

	Notes	2021	2020	2019
Balance brought forward		**P 60,057,563**	P 175,322,051	P 540,846,813
CASH FLOWS FROM FINANCING ACTIVITIES				
Interest paid		**(29,425,623)**	(293,047,052)	(197,523,900)
Repayments of interest-bearing loans and borrowings	13	**(42,046,772)**	(660,460,994)	(325,092,233)
Proceeds from deposits for future stock subscriptions	22	**50,000,000**	-	-
Proceeds from interest-bearing loans and borrowings	13	-	747,873,000	235,000,000
Repayments of advances from related parties	21	**300,001**	(69,500,001)	(35,203,829)
Proceeds from advances from related parties	21	**-**	-	41,058,715
Net Cash From (Used In) Financing Activities		**(21,172,394)**	(275,135,047)	(281,761,247)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**38,885,169**	(99,812,996)	259,085,566
CASH AND CASH EQUIVALENTS FROM ACQUIRED SUBSIDIARIES	25	**-**	283,783	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**139,206,973**	375,228,505	443,495,969
CASH AND CASH EQUIVALENTS AT END OF YEAR		**P 178,092,142**	P 275,699,292	P 702,581,535

See Notes to Interim Consolidated Financial Statements.

CHELSEA LOGISTICS AND INFRASTRUCTURE HOLDINGS CORP. AND SUBSIDIARIES
(Formerly Chelsea Logistics Holdings Corp.)
(A Subsidiary of Udenna Corporation)
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2021 AND DECEMBER 31, 2020
(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 March 31, 2021 and December 31, 2020, the Company holds ownership interests in the following subsidiaries and associates:

Company Name	Explanatory Notes	Percentage of Ownership	
		2021	2020
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%**	90%

Company Name	Explanatory Notes	Percentage of Ownership 2021	2020
Associate –			
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 28% compared to that of 2020 and incurrence of P218 million net loss in the first quarter of 2021.

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 Interim Consolidated Financial Statements

The interim consolidated financial statements of the Group as of March 31, 2021 (including the comparative consolidated financial statements as of December 31, 2020 and for the three months ended March 31, 2020 and 2019) were authorized for issue by the Company's BOD on May 11, 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) 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 Subsequent to 2021 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 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.

(ii) 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.

(iii) 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).

(iv) 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.

(v) 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.

(vi) 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 (2021 and 2020)

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 (2021 and 2020)

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 (2021 and 2020)

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 March 31, 2021 and December 31, 2020 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 March 31, 2021 and December 31, 2020. 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 2021 and 2020 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:

	2021	2020
Cash on hand and in banks	**P 165,736,899**	P 126,851,730
Short-term placements	**12,355,243**	12,355,243
	P 178,092,142	P 139,206,973

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 2021, 2020 and 2019.

The balances of cash on hand and in banks did not include an amount of P6.6 million both as of March 31, 2021 and December 31, 2020, 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	**2021**	2020
Trade receivables	21.1, 21.3	**P 2,214,779,767**	P 2,016,581,695
Due from agencies		**193,132,880**	192,521,709
Claims receivables		**109,669,146**	112,871,942
Advances to officers and employees		**32,680,573**	24,603,182
Others		**11,392,250**	20,677,981
		2,561,654,616	2,367,256,509
Allowance for expected credit losses		**(781,073,891)**	(781,073,891)
		P 1,780,580,725	P 1,586,182,618

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 2021 and 2020 is shown below.

	Note	**2020**	2019
Balance at beginning of year		**P 781,073,891**	P 19,504,177
Additional ECL during the year	17	**-**	761,569,714
Balance at end of year		**P 781,073,891**	P 781,073,891

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 P654.3 million and P603.7 million as of March 31, 2021 and December 31, 2020, 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).

7. INVENTORIES

This account, which are all stated at cost, includes the following:

	Note	**2021**	2020
Spare parts		**P 389,654,503**	P 407,123,996
Fuel and lubricants	21.2	**267,442,370**	168,229,056
Shipping supplies		**36,160,595**	36,409,168
Food, beverage and other supplies		**987,086**	859,101
		P 694,244,554	P 612,621,321

As of March 31, 2021 and December 31, 2020, 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 March 31, 2021 and December 31, 2020, 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 March 31, 2021 and December 31, 2020 follows:

	Note	2021	2020
Input VAT		**P 324,846,782**	P 336,237,276
Deferred input VAT		**286,924,141**	268,428,803
Creditable withholding taxes		**285,670,083**	277,990,211
Prepayments		**145,032,254**	158,782,720
Advances to suppliers		**342,610,774**	133,013,755
Deferred charges		**66,886,755**	66,886,755
Restricted cash	4	**6,243,268**	6,243,268
		P 1,458,214,056	P 1,247,582,788

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 2021 and 2020 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
March 31, 2021								
Cost or revalued amounts	P 1,413,263,540	P 24,326,560,829	P 206,440,562	P 241,458,310	P 169,464,662	P 2,510,590,594	P 614,910,758	P 29,482,689,255
Accumulated depreciation and amortization	-	(7,608,808,317)	(128,138,472)	(68,666,896)	(140,862,021)	(313,320,265)	-	(8,259,795,971)
Accumulated impairment loss	-	(55,282,310)	-	-	-	-	-	(55,282,310)
Net carrying amount	**P 1,413,263,540**	**P 16,662,470,202**	**P 78,302,090**	**P 172,791,414**	**P 28,602,641**	**P 2,197,270,329**	**P 614,910,758**	**P 21,167,610,974**
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
January 1, 2020								
Cost or revalued amounts	P 1,413,263,540	P 25,044,105,607	P 182,402,234	P 228,140,385	P 162,911,778	P 1,234,591,265	P 1,280,335,958	P 29,545,750,767
Accumulated depreciation and amortization	-	(6,341,314,360)	(85,960,943)	(44,761,043)	(107,326,845)	(43,987,279)	-	(6,623,350,470)
Accumulated impairment loss	-	(7,394,742)	-	-	-	-	-	(7,394,742)
Net carrying amount	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

A reconciliation of the carrying amounts of property and equipment at the beginning and end of 2021 and 2020 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, 2021, net of accumulated depreciation and amortization and impairment losses impairment losses	1,413,263,540	16,940,451,693	83,429,776	177,561,260	36,310,002	2,237,779,731	614,910,758	21,503,706,760
Additions	-	P 61,249,139	P 2,565,922	-	-	-	-	63,815,061
Depreciation and amortization charges for the year	-	(339,230,630)	(7,693,608)	(4,769,846)	(7,707,361)	(40,509,402)	-	(399,910,847)
Balance at March 31, 2021, net of accumulated depreciation and amortization and impairment losses	**P 1,413,263,540**	**P 16,662,470,202**	**P 78,302,090**	**P 172,791,414**	**P 28,602,641**	**P 2,197,270,329**	**P 614,910,758**	**P 21,167,610,974**
	-	-	-	-	-	-	-	-
Balance at January 1, 2020, net of accumulated depreciation and amortization and impairment losses	1,413,263,540	18,620,129,247	96,441,291	183,379,342	55,584,933	P 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
Reclassification	-	25,449,023	-	-	-	P 119,954,536	(242,305,965)	(96,902,406)
Revaluation decrement	-	(297,170,375)	-	-	-	-	-	(297,170,375)
Disposals - net	-	(84,189,209)	-	-	-	-	(442,295,057)	(526,484,266)
Impairment loss	-	(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

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
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

Name of Vessel	Date of Report	Net Appraised Values
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 March 31, 2021 and December 31, 2020 are as follows:

	2021	2020
Cost	**P19,225,549,664**	P 19,164,300,525
Accumulated depreciation	**(4,903,880,228)**	(4,666,853,381)
Accumulated impairment losses	**(55,282,310)**	(55,282,310)
Net carrying amount	**P14,266,387,126**	P 14,442,164,834

Depreciation and amortization is classified in the consolidated statements of profit and loss as follows:

	Notes	2021	2020	2019
Cost of sales and services	16	**P 381,483,383**	P 339,496,866	P 266,815,995
Other operating expenses		**18,427,464**	29,211,605	9,053,364
	17	**P 399,910,847**	P 368,708,471	P 275,869,359

Certain vessels of the Group with a total net carrying amount of P12,613.5 million and P12,803.3 million as of March 31, 2021 and December 31, 2020, respectively, were used to secure the payment of certain interest-bearing loans and borrowings (see Note 13).

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 2021 and 2019.

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:

	2021	2020
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)**	(624,340,199)
Equity share in net loss	**(205,833,288)**	(205,833,288)
Consolidation of KGLI-NM	**(1,274,038,809)**	(1,274,038,809)
	-	-
DHC		
Cost	**1,041,666,665**	1,041,666,665
Accumulated equity share in the total comprehensive income from previous years	**(149,440,722)**	-
Equity share in net loss	**(98,831,556)**	(149,440,722)
	793,394,387	892,225,943
Dito		
Cost	**4,106,249,866**	4,106,249,866
Accumulated equity share in the total comprehensive income from previous years	**(292,520,586)**	(292,520,586)
Equity share in net loss	**(691,094,566)**	(691,094,566)
Disposal	**(3,122,634,714)**	(3,122,634,714)
	-	-
Joint venture – Meridian Maritime Training Center (Meridian)	**81,001,440**	81,001,440
	P 874,395,827	P 973,227,383

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, 2020 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 March 31, 2021 and December 31, 2020 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 DHC as of March 31, 2021 and December 31, 2020 (in thousands).

	2021	2020
Total current assets	P 625,000	P 625,000
Total non-current assets	9,608,986	9,934,999
Total assets	P 10,233,986	P 10,559,999
Total current liabilities	P 8,243,407	P 8,243,407
Total non-current liabilities	-	-
Total liabilities	P 8,243,407	P 8,243,407
Total revenues	P -	P -
Net loss	P 151,118	P 147,942

A reconciliation of the summarized financial information of DHC to the carrying amount of investment in the Group is shown below (in thousands).

	2021	2020
Net assets of DHC	P 1,990,579	P 2,276,592
Direct ownership interest	10.54%	10.54%
Share in net assets of DHC	209,807	239,953
Carrying amount of investment in DHC, net of subscription payable	(110,976)	(110,976)
Share in net losses of Dito, as indirect associate	(98,831)	(128,977)
	P -	P -

As of December 31, 2020, 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 2021, 2020 and 2019. 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 March 31, 2021 and December 31, 2020.

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 March 31, 2021 and December 31, 2020, 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 March 31, 2021 and December 31, 2020 are as follows:

	Notes	2021	2020
Investment in 2GO	25	**P 7,306,294,365**	P 7,306,294,365
Property and equipment:	9		
MV Lapu-Lapu Uno		**56,250,001**	56,250,001
MV Trans-Asia 5		-	28,733,405
MV Supercat 36		**11,919,000**	11,919,000
		P 7,374,463,366	**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	2021	2020
Advances to suppliers	24.7	**P 265,878,362**	P 248,131,959
Deferred input VAT		**143,829,873**	103,683,062
Security deposits	21.3	**93,208,292**	88,046,332
Software, net of amortization		**32,119,700**	32,911,807
Restricted cash	4	**335,112**	335,112
Others		**8,905,248**	4,351,324
		P 544,276,587	P 477,459,596

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 2021 and 2020 is shown below.

	Note	2021	2020
Balance at beginning of year		**P 32,911,807**	P 27,753,354
Additions		**-**	8,278,650
Amortization during the year	17	**(792,107)**	(3,120,197)
Balance at end of year		**P 32,119,700**	P 32,911,807

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	2021	2020
Current:			
Bank loans	13.2	**P 4,572,102,041**	P 4,868,416,676
Term loans	13.1	**1,608,424,816**	1,342,867,834
Lease liabilities	13.4	**196,930,004**	192,588,562
Mortgage loans	13.3	**33,799,240**	40,790,307
		6,411,256,101	6,444,663,379
Non-current:			
Term loans	13.1	**8,745,772,519**	8,644,055,581
Lease liabilities	13.4	**1,643,875,885**	1,759,416,021
Mortgage loans	13.3	**164,019,949**	158,836,245
		P 10,553,668,353	10,562,307,847
		P16,964,924,454	P17,006,971,226

A reconciliation of the carrying amounts of interest-bearing loans and borrowings at the beginning and end of December 31, 2021, 2020 and 2019 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 9,986,923,415	P 4,868,416,676	P 199,626,552	P 1,952,004,583	P 17,006,971,226
Cash flows from financing activities:					
Additions	74,580,128	16,736,930	-	-	91,317,058
Repayments	(7,306,208)	(13,051,565)	(1,807,363)	(111,198,694)	(133,363,830)
	67,273,920	3,685,365	(1,807,363)	(111,198,694)	(42,046,772)
Non-cash financing activities -					
Reclassification	300,000,000	(300,000,000)	-	-	-
	300,000,000	(300,000,000)	-	-	-
Balance at December 31, 2020	**P 10,354,197,335**	**P 4,572,102,041**	**P 197,819,189**	**P 1,840,805,889**	**P 16,964,924,454**
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	P 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

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 March 31, 2021 and December 31, 2020 are as follows:

	Notes	Security	Terms	Interest Rates	Outstanding Balance 2021	Outstanding Balance 2020
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 1,926,396,728
Development Bank of the Philippines (DBP)	(f.4)	MT Chelsea Providence	15 years	6.50%	**1,821,008,778**	1,446,428,571
Philippine Business Bank (PBB)	(c.2)	MV Eagle, FD Exuberance MV Archer, MV Saturn	10 years	7.50%	**813,238,917**	813,238,917
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**	584,892,857
DBP	(f.2)	MV San Pedro Calungsod MV San Lorenzo Ruis Uno MV St. Nicholas of Myra	15 years	6.50%	**526,329,569**	526,329,569
DBP	(f.1)	MV Pioneer, MV Reliance	15 years	6.95%	**521,280,000**	521,280,000
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**	340,323,661
DBP	(f.5)	MV St. Camael and MV St. Sariel	15 years	6.50%	**322,037,037**	322,037,037
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**	247,500,000
Robinsons Bank Corporation (RBC)	(e)	Continuing Suretyship	5 years	6.10%	**247,500,000**	247,500,000
CTBC Bank (Phils) Inc. (CTBC)	(e)	Continuing Suretyship	5 years	4.09%	**247,500,000**	247,500,000
CBC	(b.3)	Trans-Asia 15	10 years	7.00%	**228,703,704**	228,703,704
PBB	(c.1)	MT Chelsea Dominance	7 years	6.06%	**227,048,850**	227,048,850
PBB	(c.1)	MT Chelsea Endurance	7 years	6.06%	**192,578,750**	192,578,750
First Commercial Bank, Ltd. (FCB)	(e)	Continuing Suretyship	5 years	6.10%	**165,000,000**	165,000,000
Rizal Commercial Banking Corp.	(g)	Starlite Sprint I	7 years	9.50%	**111,507,790**	111,507,790
BDO	(a.1)	MT Chelsea Denise II	2 years	5.50%	**90,842,500**	90,842,500
Asia United Bank (AUB)	(d)	MTug Fortis VI, MTug Fortis VII and MTug Fortis VIII	7 years	5.56%	**49,155,311**	52,116,556
AUB	(d)	MTug Fortis IX and Mtug Fortis X	7 years	7.07%	**42,553,778**	44,328,852
AUB	(d)	MTug Fortis III and MTug Fortis V	7 years	5.56%	**36,152,714**	38,722,682
CBC	(b.1)	MT Chelsea Charlize	7 years	3.25%	-	-
PBB		Unsecured	15 years	7.00%	-	-
					10,310,773,296	9,943,499,376
Discount on loans payable					**43,424,039**	43,424,039
					P 10,354,197,335	P 9,986,923,415

(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 P458.2 million and P462.3 million as of March 31, 2021 and December 31, 2020, 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 P834.7 million as of March 31, 2021 and December 31, 2020, 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 2021 and 2020, 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, 2020 (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 March 31, 2021 and December 31, 2020, 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 March 31, 2021 and December 31, 2020, 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 March 31, 2021 and December 31, 2020 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 P860.1 million and P866.6 million, as of March 31, 2021 and December 31, 2020, 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 March 31, 2021 and December 31, 2020, 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 March 31, 2021 and December 31, 2020, 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 March 31, 2021 and December 31, 2020 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 March 31, 2021 and December 31, 2020, 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 March 31, 2021 and December 31, 2020, 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 March 31, 2021 and December 31, 2020, 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 March 31, 2021 and December 31, 2020 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 March 31, 2021 and December 31, 2020, 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 March 31, 2021 and December 31, 2020 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 March 31, 2021 and December 31, 2020, 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 March 31, 2021 and December 31, 2020, 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 March 31, 2021 and December 31, 2020, 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 March 31, 2021 and December 31, 2020, 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 March 31, 2021 and December 31, 2020 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 2021	2020
Primary Institutional Lenders	Unsecured	30 to 180 days	4.25% to 7.50%	P **1,461,813,367**	P 1,445,076,437
UCPB	MT Chelsea Intrepid MT BMI Patricia	90 days	5.00% to 5.75%	**897,500,000**	897,500,000
PBB	Unsecured	180 days	9.00%	**675,000,000**	675,000,000
CBC	Unsecured	60 days	6.00%	**500,000,000**	500,000,000
Landbank of the Philippines		90 days	9.00%	**500,000,000**	500,000,000
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%	**74,925,000**	76,125,000
BDO Unibank Inc	Trans-Asia 1	180 days	6.50%	**48,500,000**	48,500,000
AUB	Unsecured	30 days	8.00%	**9,516,278**	21,367,843
DBP	MT Chelsea Cherylyn	180 days	4.00 to 4.25%	**-**	300,000,000
DBP	Unsecured	90 days	6.00%	**4,847,396**	4,847,396
				P **4,572,102,041**	P 4,868,416,676

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 March 31, 2021 and December 31, 2020, 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 March 31, 2021 and December 31, 2020 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 2021	2020
BDO	Real Estate Mortgage	10 years	6.75%	P **163,006,255**	P 163,006,255
Toyota Financials	Chattel Mortgage on Transportation Equipment	3 years	10.07%	**18,055,835**	20,488,251
AUB	Chattel Mortgage on Transportation Equipment	3 to 5 years	7.00% to 8.50%	**13,403,674**	12,656,898
BDO	Chattel Mortgage on Transportation Equipment	3 years	8.51%	**841,792**	1,292,134
Eastwest	Chattel Mortgage on Transportation Equipment	3 years	9.71%	**952,559**	952,559
PNB	Chattel Mortgage on Transportation Equipment	1 year	7.30%	**869,009**	649,956
RCBC	Chattel Mortgage on Transportation Equipment	3 years	7.00%	**690,065**	580,499
				P **197,819,189**	P 199,626,552

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 2021 and 2020. 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 P359.5 million as of March 31, 2021 and December 31, 2020, 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
March 31, 2021					
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, 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

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

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 March 31, 2021 and December 31, 2020 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
March 31, 2021							
Lease payments	P 215,644,221	P 321,195,985	P 249,917,396	P 230,842,248	P 708,429,236	P 1,074,894,210	P 2,800,923,297
Finance charges	(134,254,353)	(122,964,023)	(111,001,857)	(101,276,546)	(124,344,086)	(366,276,544)	(960,117,408)
Net present value	**P 81,389,869**	**P 198,231,962**	**P 138,915,540**	**P 129,565,702**	**P 584,085,150**	**P 708,617,666**	**P 1,840,805,889**
December 31, 2020							
Lease payments	P 326,842,915	P 321,195,985	P 249,917,396	P 230,842,248	P 708,429,236	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)	(960,117,408)
Net present value	P 192,588,562	P 198,231,962	P 138,915,540	P 129,565,702	P 584,085,150	P 708,617,666	P 1,952,004,582

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 P17.9 million and P23.5 million in 2021 and 2020, respectively, and is presented as Rentals under Cost of Sales and Services and Other Operating Expenses in the 2021 and 2020 consolidated statements of profit or loss (see Notes 16 and 17). As of March 31, 2021 and December 31, 2020, 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	**2021**	2020
Trade payables	21.2	**P 5,256,570,114**	P 4,972,059,618
Non-trade payables	21.6	**671,562,932**	1,028,132,766
Accrued expenses	13, 21.2	**1,337,343,770**	1,053,180,766
Subscription payable	10	**781,249,998**	781,249,998
Deferred output VAT		**384,655,728**	310,533,009
Government-related obligations		**141,108,021**	126,965,369
Output VAT		**76,655,002**	70,938,300
Deferred income		**-**	1,961,974
Provisions	24.3	**707,213**	707,213
Others		**58,561,806**	81,706,301
		P 8,708,414,584	P8,427,435,314

Subscription payable pertains to the amount of subscribed shares on the Group's investments in associates that remains unpaid as of March 31, 2021 and December 31, 2020 (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 March 31, 2021 and 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 three months ended March 31 are shown below.

	Notes	2021	2020	2019
Bunkering	7, 21.2	**P 339,135,206**	P 463,095,729	P 272,009,497
Depreciation and amortization	9	**381,483,383**	339,496,866	266,815,995
Salaries and employee benefits	18.1	**124,841,258**	147,941,266	150,588,877
Repairs and maintenance	7	**49,160,617**	50,160,801	36,147,356
Outside services		**69,783,599**	58,650,524	80,982,652
Insurance		**50,150,442**	52,416,111	46,187,195
Handling costs		-	-	-
Port expenses		**28,380,223**	43,440,971	46,614,296
Impairment losses on property and equipment	9	-	-	-
Supplies	7	**19,386,656**	16,240,715	23,226,775
Cost of inventories sold		**7,919,571**	21,069,808	8,169,876
Rentals	21.3	**14,942,884**	1,996,045	10,940,871
Charter hire fees		**8,986,161**	12,966,428	35,590,437
Commission		**17,628,617**	6,152,777	2,430,456
Taxes and licenses		**7,028,739**	5,652,262	6,501,158
Utilities and communication		**3,305,782**	6,058,323	7,071,002
Transportation and travel		**4,647,833**	2,934,582	4,341,591
Professional fees		**2,000**	40,286	179,769
Representation and entertainment		**319,092**	393,439	527
Miscellaneous		**17,043,886**	27,239,674	10,202,330
		P 1,144,145,949	P 1,255,946,607	P 1,008,000,660

17. OPERATING EXPENSES BY NATURE

The details of operating expenses by nature for the three months ended March 31, 2021, 2020 and 2019 are presented below.

	Notes	2021	2020	2019
Depreciation and amortization	9, 12	**P 400,702,954**	P 368,708,471	P 275,869,359
Bunkering	7, 21.2	**339,135,206**	463,095,729	272,009,497
Salaries and employee benefits	18.1	**200,264,412**	267,248,514	234,597,147
Outside services		**87,917,315**	143,054,633	123,289,035
Repairs and maintenance	7	**50,148,483**	53,118,774	37,588,037
Insurance		**50,668,261**	53,841,980	48,349,938
Port expenses		**28,380,223**	43,440,971	46,614,296
Taxes and licenses		**34,859,011**	42,158,078	28,965,589
Rentals	13.4, 21.3, 24.2	**17,489,733**	23,528,870	16,498,302
Supplies	7	**21,405,290**	19,650,755	26,358,154
Cost of inventories sold		**7,919,571**	21,069,808	8,169,876
Utilities and communication		**10,472,721**	12,185,961	11,676,273
Charter hire fees		**8,986,161**	12,966,428	35,590,437
Professional fees		**4,519,357**	5,513,578	9,196,751
Transportation and travel		**6,398,164**	10,099,621	9,496,760
Commission		**17,630,417**	6,398,637	6,893,692
Representation and entertainment		**657,380**	2,206,810	1,524,416
Advertising and promotions		**321,297**	348,315	2,519,343
Miscellaneous	21.9(b)	**22,831,761**	24,508,437	22,701,340
		P 1,310,707,717	P 1,573,144,370	P 1,217,908,242

These expenses are classified in the consolidated statements of profit or loss as follows:

	Note	2021	2020	2019
Cost of sales and services	16	**P 1,144,145,949**	P 1,255,946,607	P 1,008,000,660
Other operating expenses		**166,561,768**	317,197,763	209,907,582
		P 1,310,707,717	P 1,573,144,370	P 1,217,908,242

18. SALARIES AND EMPLOYEE BENEFITS

18.1 Salaries and Employee Benefits

The details of salaries and employee benefits for the three months ended March 31, 2021, 2020 and 2019 are presented below.

	Notes	2021	2020	2019
Short-term employee benefits		**P 195,404,494**	P 249,595,426	P 231,109,068
Other employee benefits		**4,859,918**	17,653,088	3,488,079
	17	**P 200,264,412**	P 267,248,514	P 234,597,147

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	**2021**	2020	2019
Cost of sales and services	16	**P 124,841,258**	P 147,941,266	P 150,588,877
Other operating expenses		**75,423,154**	119,307,248	84,008,270
	17	**P 200,264,412**	P 267,248,514	P 234,597,147

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 March 31, 2021 and December 31, 2020, which is recognized in the consolidated statements of financial position are determined as follows:

	2021	2020
Fair value of plan assets	**P 12,089,955**	P 12,089,955
Present value of the obligation	**(6,134,751)**	(6,134,751)
	P 5,955,204	P 5,955,204

The movements in the present value of post-employment defined benefit obligation recognized as of March 31, 2021 and December 31, 2020 are as follows:

	2021	2020
Balance at beginning of year	**P 6,134,751**	P 4,015,489
Current service cost	**-**	1,641,905
Interest cost	**-**	204,790
Actuarial losses due to changes in:		
Financial assumptions	**-**	272,567
Balance at end of year	**P 6,134,751**	P 6,134,751

The movements of the fair value of plan assets in 2021 and 2020 are presented below.

	2021	2020
Balance at beginning of year	**P 12,089,955**	P 11,689,387
Interest income	**-**	519,555
Return on plan assets (excluding amounts included in net interest)	**(-)**	(118,987)
Balance at end of year	**P 12,089,955**	P 12,089,955

The composition of the fair value of plan assets as at March 31, 2021 and December 31, 2020 by category and risk characteristics is shown below.

	2021	2020
Cash and cash equivalents	**P 101,364**	P 101,364
Debt and equity securities	**11,373,561**	11,373,561
Others	**615,031**	615,031
	P 12,089,956	P 12,089,956

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:

	2021	2020
Present value of the obligation	**P 171,529,490**	P 171,529,490
Fair value of plan assets	**(57,743,149)**	(57,743,149)
	P 113,786,341	P 113,786,341

The amounts of post-employment defined benefit obligation recognized in the consolidated statements of financial position are determined as follows:

	2021	2020
Balance at beginning of year	**P 113,011,020**	P 113,011,020
Actuarial loss (gains) due to changes in:		
Financial assumptions	**22,733,078**	22,733,078
Experience assumptions	**(67,759)**	(67,759)
Demographic assumptions	**-**	(3,874,107)
Current service cost	**29,449,131**	29,449,131
Interest cost	**6,404,020**	6,404,020
Balance at end of year	**P 171,529,490**	P 171,529,490

The details of the fair value of plan assets in 2021 and 2020 are presented below.

	2020	2019
Balance at beginning of year	**P 56,482,439**	P 56,482,439
Interest income	**1,260,710**	1,260,710
Balance at end of year	**P 57,743,149**	P 57,743,149

The composition of the fair value of plan assets as at March 31, 2021 and December 31, 2020 by category and risk characteristics is shown below.

	2021	2020
Cash and cash equivalents	**P 97,362**	P 97,362
Debt and equity securities	**57,336,213**	57,336,213
Others	**309,574**	309,574
	P 57,743,149	P 57,743,149

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. 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.

In determining the retirement benefit obligation as at March 31, 2021 and December 31, 2020, 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.

	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)

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 March 31, 2021 and December 31, 2020 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 March 31, 2021 and December 31, 2020, 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 March 31, 2021 and December 31, 2020 follows:

	2020	2020
One to five years	**P 51,844,731**	P 51,844,731
More than five years but not more than ten years	**87,782,717**	87,782,717
	P 139,627,448	P 139,627,448

19. OTHER INCOME (CHARGES)

19.1 Finance Costs

The details of this account for the three months ended March 31, 2021, 2020 and 2019 are shown below.

	Notes	2021	2020	2019
Interest expense on –				
Interest-bearing loans	13	P **272,810,708**	P 350,460,823	P 254,937,670
Foreign currency exchange losses		**4,345,975**	-	-
Bank charges		**319,720**	362,138	592,552
		P **277,476,403**	P 350,822,961	P 255,530,222

19.2 Finance Income

The breakdown of this account for the three months ended March 31, 2021, 2020 and 2019 are shown below.

	2021	2020	2019
Interest income	P **3,538,536**	P 4,646,273	P 1,015,762
Foreign currency exchange gains	-	140,978	P 1,553,241
	P **3,538,536**	P 4,787,251	P 2,569,003

19.3 Other Income

Presented below are the details of other income for the three months ended March 31, 2021, 2020 and 2019.

	Notes	2021	2020	2019
Pretermination of TC		P **318,365,923**	P -	P -
Gain on sale of property and equipment - net	9	-	48,776,371	-
Rental income	21.3,	-	-	3,966,922
Handling and trucking		-	-	43,814,712
Miscellaneous	6	(**7,259,491**)	13,610,149	19,754,909
		P **311,106,432**	P 62,386,520	P 67,536,543

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.

	2021	2020	2019
Recognized in profit or loss:			
Regular corporate income tax at 30%	**P -**	P 14,957,101	P 3,355,280
Minimum corporate income tax (MCIT) at 2%	**-**	-	1,019,853
Final tax at 20% and 7.5%	**42,019**	15,540	303,087
Deferred tax expense (income) relating to origination and reversal of temporary differences	**42,019** **-**	14,972,641 (47,121,687)	4,678,220 (41,258,433)
	P 42,019	(P 32,149,046)	(P 36,580,213)
Recognized in other comprehensive income —			
Deferred tax expense relating to origination and reversal	**P -**	P -	P -

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:

	2021	2020	2019
Tax on pretax loss at 30%	(P 65,409,854)	(P 113,169,524)	P 30,638,986
Adjustments for income subjected to lower tax rates	(21,010)	(7,770)	(31,908)
Tax effects of:			
Unrecognized deferred tax assets on net operating loss carryover (NOLCO)	35,823,416	41,010,546	-
Nondeductible expenses	29,649,467	40,017,703	(32,300,253)
Net loss (profit) on BOI-registered activities	-	-	(34,887,038)
	P 42,019	(P 32,149,046)	(P 36,580,213)

The net deferred tax assets of the Company and certain subsidiaries pertain to the following:

	2021	2020
Impairment losses on trade and other receivables	P 125,668,472	P 125,668,472
Post-employment benefit obligation	27,602,145	27,602,145
Impairment losses on property and equipment	23,068,873	23,068,873
Revaluation reserves on property and equipment	(22,085,636)	(22,085,636)
	P 154,253,854	P 154,253,854

The net deferred tax liabilities of certain subsidiaries as of March 31, 2021 and December 31, 2020 are as follows:

	2021	2020
Revaluation reserves on property and equipment	**(P 467,440,432)**	(P 467,440,432)
Impairment losses on trade and other receivables	**108,653,696**	108,653,696
Capitalized borrowing costs	**(6,876,849)**	(6,876,849)
Post-employment benefit obligation	**4,484,432**	4,484,432
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**	255,983
Provisions	**137,535**	137,535
Others	**(677,264)**	(677,264)
	(P 356,683,800)	(P 356,683,800)

The net deferred tax income (expense) reported in the consolidated statements of profit or loss and consolidated statements of comprehensive income is shown below.

	2021		2020		2019	
	Profit or Loss	**Other Comprehensive Income**	Profit or Loss	Other Comprehensive Income	Profit or Loss	Other Comprehensive Income
Deferred tax expense (income):						
NOLCO	P -	P -	(P 38,540,013)	P -	(P 31,201,319)	P -
Revaluation reserves of vessels	-	-	(8,581,674)	-	(13,986,005)	-
Unrealized foreign currency loss – net	-	-	-	-	4,948,745	-
MCIT	-	-	-	-	(1,019,853)	-
	-	P -	(P 47,121,687)	P -	(P 41,258,433)	P -

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 2021, 2020 and 2019, 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, 2021, 2020 and 2019 and the related outstanding balances as of March 31, 2021 and December 31, 2020 is presented below.

Related Party Category	Notes	Amounts of Transactions			Outstanding Balances	
		2021	2020	2019	**2021**	2020
Parent —						
Cash advances granted	21.4	**(P 18,000,000)**	P 142,000,027	(P 615,005,715)	**P 962,378,702**	P 980,378,702
Associate —						
Chartering of services rendered	21.1	-	26,414,300	73,611,328	-	-
Related parties under common ownership:						
Chartering of services rendered	21.1	**66,218,455**	129,404,582	217,850,808	**51,819,997**	70,355,694
Fuel purchases	21.2	**499,916,268**	466,183,820	386,395,154	**(2,792,322,367)**	(2,659,297,546)
Acquisition of SFFC's shares	21.6	**-**	-	-	**(171,562,932)**	(528,132,766)
Acquisition of CSC's shares	21.6	**-**	-	-	**(500,000,000)**	(500,000,000)
Rental income	21.3	**-**	-	1,305,687	**-**	-
Rental expense	21.3	**80,955**	80,955	1,364,513	**(57,748)**	(57,748)
Donation	21.9(b)	**90,000**	90,000	90,000	**(180,000)**	(180,000)
Cash advances granted	21.4	**278,374,967**	(2,632,064)	48,795,833	**426,716,108**	148,341,141
Cash advances obtained	21.4	**300,000**	(69,001,098)	5,854,887	**(588,084,015)**	(587,784,015)

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 March 31, 2021 and December 31, 2020 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 March 31, 2021 and December 31, 2020 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 March 31, 2021 and December 31, 2020, 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 March 31, 2021 and December 31, 2020 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 March 31, 2021 and December 31, 2020.

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 March 31, 2021 and December 31, 2020, 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 2021 and 2020 follows:

	2021	2020
Balance at beginning of year	**P 1,400,594,810**	P 814,252,135
Net advances (collections)	**(11,500,000)**	586,342,675
Balance at end of year	**P 1,389,094,810**	P 1,400,594,810

Based on management's assessment, no impairment loss is recognized in 2021 and 2020 related to the advances granted to related parties (see Note 27.2).

The movement in the Advances from Related Parties account in 2021 and 2020 follows:

	Note	**2021**	2020
Balance at beginning of year		**P 587,784,015**	P 1,114,816,666
Repayments of advances		**300,001**	(266,615,985)
Offsetting against acquisition costs	10	**-**	(260,416,666)
Balance at end of year		**P 588,084,016**	P 587,784,015

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 March 31, 2021 and December 31, 2020, respectively. As of March 31, 2021 and December 31, 2020, 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 2021 and 2020, respectively.

As of March 31, 2021 and December 31, 2020, 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 2021, 2020 and 2019, 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	**P 2,000,000,000**	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	**P 1,821,977,615**	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 March 31, 2021 and December 31, 2020, 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 P407.0 million and from Udenna amounting to P305.6 million, totaling to P712.6 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, 2021	P 1,168,028,791	P 32,727,175	P -	P 681,953	P 1,201,437,920
Transfer of revaluation reserves from share in OCI of an associate	-	-	-	-	-
Transfer to retained earnings - Depreciation of revalued vessels	(15,144,048)	-	-	-	(15,144,048)
Balance at March 31, 2021	**P 1,152,884,743**	**P 32,727,175**	**P -**	**P 681,953**	**P 1,186,293,872**
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	(53,684,375)	6,821,766	-	-	(46,862,608)
Other comprehensive income after tax	(350,854,750)	(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 1,168,028,791	P 32,727,175	P -	P 681,953	P 1,201,437,920

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 March 31, 2021 and December 31, 2020 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 March 31, 2021 and December 31, 2020, 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 March 31, 2021 and December 31, 2020.

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.

23. LOSS PER SHARE

Basic and diluted loss per share loss attributable to the Company's stockholders are computed as follows:

	2021	2020	2019
Net loss	**(P 218,074,866)**	(P 345,082,701)	P 138,710,166
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 0.120)**	(P 0.189)	P 0.076

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 March 31, 2021 and December 31, 2020. There were no outstanding convertible preferred shares and bonds or other stock equivalents as of March 31, 2021 and December 31, 2020; 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, 2020, the Group does not have operating lease commitments as a lessor as the leases have already expired during the year.

Rent income amounted to P3.9 million 2019 (nil in 2021 and 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 P37.5 million, P37.9 million and P38.6 million in 2021, 2020 and 2019, 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 March 31, 2021 and December 31, 2020 are as follows:

	2021	2020
Within one year	**P 161,544,100**	P 161,544,100

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 March 31, 2021 and December 31, 2020, the Group has unused lines of credit amounting to P21.0 million.

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 2021 and 2020, 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 March 31, 2021 and December 31, 2020 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:

	2021	2020
Balance at beginning of year	**P 1,848,378,146**	P 5,765,809,689
Reclassification to non-current asset held for sale	**-**	(3,917,431,543)
Balance at end of year	**P 1,848,378,146**	P 1,848,378,146

(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, 2020. 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 March 31, 2021 and December 31, 2020. 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 2021, 2020 and 2019.

26.4 Analysis of Segment Information

The tables below present revenue and profit information regarding business segments for the three months ended March 31, 2021, and 2020 and assets and liabilities information regarding segments as at March 31, 2021 and December 31, 2020.

	Investing and Other Activities	Tankering	Tugboats	Roll-on/ Roll-off Passenger	Distribution and Warehousing	Ship Management and Crewing	Total
2021							
SEGMENT RESULTS							
Sales to external customers	P -	P 240,031,593	P 75,158,909	P 713,081,109	P 126,066,250	-	P 1,154,337,861
Intersegment sales	64,478,151	-	11,845,428	34,800,000	-	97,891,805	209,015,384
Total revenues	64,478,151	240,031,593	87,004,337	747,881,109	126,066,250	97,891,805	1,363,353,245
Cost of sales and services	-	237,373,063	78,121,639	802,252,164	95,298,235	74,210,210	1,287,255,311
Other operating expenses	21,185,517	27,165,482	3,692,598	95,490,029	29,490,381	5,833,525	182,857,531
Segment operating profit (loss)	43,292,634	(24,506,952)	5,190,101	(149,861,084)	1,277,634	17,848,070	(106,759,597)
SEGMENT ASSETS AND LIABILITIES							
Total assets	**P 23,145,106,776**	**P 11,896,803,410**	**P 1,173,600,971**	**P 17,239,040,390**	**P 1,124,138,831**	**P 568,001,955**	**P 55,146,692,333**
Total liabilities	**P 13,268,604,515**	**P 9,050,455,395**	**P 533,901,594**	**P 17,185,184,260**	**P 929,404,602**	**P 280,503,332**	**P 41,248,053,697**
2020							
SEGMENT RESULTS							
Sales to external customers	P -	P 387,171,284	P 86,226,043	P 995,389,567	P 106,370,549	P 37,796,713	P 1,612,954,155
Intersegment sales	81,234,939	-	17,818,514	-	-	127,257,299	226,310,752
Total revenues	81,234,939	387,171,284	104,044,557	995,389,567	106,370,549	165,054,012	1,839,264,907
Cost of sales and services	-	303,738,795	75,535,526	852,365,695	54,921,805	114,460,600	1,401,022,420
Other operating expenses	103,378,236	50,897,285	11,139,210	161,280,368	47,671,711	26,408,724	400,775,535
Segment operating profit (loss)	(22,143,297)	32,535,204	17,369,821	(18,256,496)	3,777,033	24,184,687	37,466,953
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

	2021	2020
Revenues		
Total segment revenues	**P 1,363,353,245**	P 1,839,264,907
Elimination of intersegment revenues	**(209,015,384)**	(226,310,752)
Reported as profit or loss	**P 1,154,337,861**	P 1,612,954,155
Profit or loss		
Segment operating profit (loss)	**(P 106,759,597)**	P 37,466,953
Other unallocated income	-	2,342,833
Other unallocated expense	**(49,610,259)**	-
Operating profit as reported in profit or loss	**(156,369,856)**	39,809,786
Finance costs	**(277,476,403)**	(350,822,961)
Loss on remeasurement		-
Gain on sale of an associate		-
Share in net loss of associates	**(98,831,556)**	(133,392,342)
Loss on modification of debts	**-**	
Finance income	**3,538,536**	4,787,251
Other income	**311,106,432**	62,386,520
Gain on bargain purchase	**-**	-
Profit before tax as reported in profit or loss	**(P 218,032,847)**	(P 377,231,746)
Assets		
Segment Assets	**P 55,146,692,333**	P 54,538,570,482
Elimination of intercompany accounts	**(17,674,865,939)**	(17,183,938,109)
Total assets as reported in the consolidated statement of financial position	**P 37,471,826,395**	P 37,354,632,373
Liabilities		
Segment Liabilities	41,248,053,697	46,899,794,328
Elimination of intercompany accounts	(13,093,958,852)	(P 19,117,580,951)
Total liabilities as reported in the consolidated statement of financial position	**P 28,154,094,845**	P 27,782,213,377

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.

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 March 31, 2021 and December 31, 2020 closing rates follow:

	2021	2020
Financial assets	**P 9,754,172**	P 1,176,174
Net exposure	**P 9,754,172**	P 1,176,174

If the Philippine peso had strengthened against the U.S. dollar, loss before tax in 2021 and 2020 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 March 31, 2021 and December 31, 2020, respectively. These percentages have been determined based on the average market volatility in exchange rates, using standard deviation, in 12 months for 2021 and 2020 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 March 31, 2021 and December 31, 2020, 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 2021 and 2020, respectively. Bank loans, which vary with certain foreign interest rates, are tested on a reasonably possible change of +/- 0.10% and +/- 0.46% in 2021 and 2020, 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 March 31, 2021 and December 31, 2020, 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	**2021**	2020
Cash and cash equivalents	4	**P 178,092,142**	P 139,206,973
Trade and other receivables – net (excluding advances to officers and employees)	5	**1,747,900,152**	1,561,579,436
Restricted cash	8, 12	**6,578,380**	6,578,380
Security deposits	8, 12	**143,829,873**	88,046,332
Advances to related parties	21.4	**1,389,094,810**	1,400,594,810
		P 3,465,495,359	P 3,196,005,931

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 March 31, 2021 and December 31, 2020, 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 March 31, 2021 and December 31, 2020 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**
March 31, 2021					
Expected loss rate	0.00%	20.21%	12.15%	60.78%	
Gross carrying amount - trade receivables	376,849,709	189,674,563	284,912,076	1,165,145,348	2,016,581,695
Loss allowance	-	38,339,138	34,616,982	708,117,772	781,073,891
December 31, 2020					
Expected loss rate	0.00%	21.70%	31.98%	67.00%	
Gross carrying amount - 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

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, 2020.

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 March 31, 2021 and December 31, 2020 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	5,928,133,046	-	-	-
Advances from related parties	21.4	294,042,008	294,042,007	-	-
		P 9,179,121,085	**P 3,514,198,998**	**P 10,560,803,769**	**P 4,101,143,094**

As at December 31, 2020, 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 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	293,892,007	293,892,008	-	-
		P 9,353,523,611	P 3,514,048,999	P 10,560,803,769	P 4,101,143,094

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	**March 31, 2021**		December 31, 2020	
		Carrying Amounts	**Fair Values**	Carrying Amounts	Fair Values
Financial Assets:					
At amortized cost:					
Cash and cash equivalents	4	**P 178,092,142**	**P 178,092,142**	P 139,206,973	P 139,206,973
Trade and other receivables - net	5	**1,747,900,152**	**1,747,900,152**	1,561,579,436	1,561,579,436
Restricted cash	8, 12	**6,578,382**	**6,578,382**	6,578,382	6,578,382
Security deposits	8, 12	**143,829,873**	**143,829,873**	88,046,332	88,046,332
Advances to related parties	21.4	**1,389,094,810**	**1,389,094,810**	1,400,594,810	1,400,594,810
Financial Assets at FVTPL —					
Equity securities	6	**2,266,150**	**2,266,150**	2,266,150	2,266,150
		P 3,467,761,509	**P 3,467,761,509**	P 3,198,272,083	P 3,198,272,083
Financial Liabilities —					
At amortized cost:					
Trade and other payables	14	**P 2,991,020,217**	**P 2,991,020,217**	P 2,279,944,195	P 2,279,944,195
Interest-bearing loans	13	**16,964,924,454**	**16,964,924,454**	17,006,971,226	17,006,971,226
Advances from related parties	21.4	**588,084,016**	**588,084,016**	587,784,015	587,784,015
Redeemable preference shares	15	**1,230,436,441**	**1,230,436,441**	1,230,436,441	1,230,436,441
		P 21,774,465,128	**P 21,774,465,128**	P 21,105,135,877	P 21,105,135,877

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 2021 and 2020 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 P1,440.1 million and P1,470.1 million as of March 31, 2021 and December 31, 2020, respectively, may be offset against the outstanding balances of trade and other payables and cash advances obtained from related parties totaling P4,052.2 million and P4,281.4 million as of March 31, 2021 and December 31, 2020, 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 March 31, 2021 and December 31, 2020, 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, 2020.

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 March 31, 2021 and December 31, 2020, which are not measured at fair value in the consolidated statements of financial position but for which fair value is disclosed.

	March 31, 2021			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial Assets:				
At amortized cost:				
Cash and cash equivalents	P 178,092,142	P -	P -	P 178,092,142
Trade and other receivables - net	-	-	1,747,900,152	1,747,900,152
Restricted cash	6,578,382	-	-	6,578,382
Security deposits	-	-	143,829,873	143,829,873
Advances to related parties	-	-	1,389,094,810	1,389,094,810
	P 184,670,524	**P -**	**P 3,280,824,835**	**P 3,465,495,359**
Financial Liabilities —				
At amortized cost:				
Trade and other payables	P -	P -	P 2,991,020,217	P 2,991,020,217
Interest-bearing loans	-	-	16,964,924,454	16,964,924,454
Advances from related parties	-	-	588,084,016	588,084,016
Redeemable preference shares	-	-	1,230,436,441	1,230,436,441
	P -	**P -**	**P 21,774,465,128**	**P 21,774,465,128**

	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	-	-	17,006,971,226	17,006,971,226
Advances from related parties	-	-	587,784,015	587,784,015
Advances from related parties	-	-	1,230,436,441	1,230,436,441
	P -	P -	P 21,105,135,877	P 21,105,135,877

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 2021 and 2020.

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:

	2021	2020
Total liabilities	**P 28,154,094,845**	P 28,550,652,121
Total equity	**9,317,731,550**	12,453,545,388
Debt-to-equity ratio	**3.02 : 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.

Item 2. **MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

This discussion summarizes the significant factors affecting the consolidated operating results and financial condition of Chelsea Logistics and Infrastructure Holdings Corp. and its Subsidiaries (CLIHC or the Group) as of and for the quarter ending March 31, 2021. The following discussions should be read in conjunction with the attached unaudited consolidated financial statements of the Group as of March 31, 2021 and 2020.

Comparable discussion on Material Changes in Results of Operations for the Quarter ending March 31, 2021 and 2020.

	As of March 31, 2021		As of March 31, 2020		Change	
Amounts in millions	Amount	%Rev	Amount	%Rev	Amount	%
Revenues	P 1,154	100%	P 1,613	100%	(P 459)	-28%
Cost of sales and services	1,144	99%	1,256	78%	(112)	-9%
Gross Profit	10	1%	357	22%	(347)	-97%
Other Operating Expenses	167	14%	317	20%	(151)	-47%
Operating Profit	(156)	-14%	40	2%	(196)	-493%
Other Charges - Net	(62)	-5%	(417)	-26%	355	-85%
Profit (Loss) Before Tax	(218)	-19%	(377)	-23%	159	-42%
Tax Expense (Income)	0	0%	(32)	-2%	32	-100%
Net Profit (Loss)	(P 218)	-19%	(P 345)	-21%	P 127	-37%
Add Back:						
Tax Expense (Income)	0	0%	(32)	-2%	32	-100%
Depreciation and Amortization	401	35%	368	23%	33	9%
Interest Expense	273	24%	351	22%	(78)	-22%
Share in Net Loss (Income) of an Associate	99	9%	133	8%	(34)	-26%
Interest Income	(4)	0%	(5)	0%	1	-29%
EBITDA	**P 551**	**48%**	**P 470**	**29%**	**P 82**	17%

The Group's Revenue performance decreased by P459 million or 28%, from P1,613 million to P1,154 million. Squeezed by the surged in Freight revenue by P101 million or 20%, from P517 million in 2020 to P618 million in 2021 due to higher volume and average freight rate.

On March 15, 2020, the national government imposed the Enhanced Community Quarantine (ECQ) which restricted travels via land, sea and air transport and only allowed movement of essential cargoes. However, for Q1 2021, travel restrictions were gradually lifted allowing limited Ropax vessels operations. Passenger revenue remained low at P71 million in 2021, P342 million or 83% lower vs. P413 million posted in 2020. Other Revenues or other passenger related revenues likewise dropped by P68 million or 76% due to the decrease in passengers and trips. Tankering revenue declined by P159 million or 40% compared to 2020 figures due to reduced movement of petroleum products by Tankers group base customers from the petroleum, airline, and power industries. Tugboat fees fell by P11 million or 13%, from P86 million to P75 million in 2020 and 2021, respectively due to regulated entry of foreign vessels in some ports.

Total Costs of Sales and Services were reduced by P112 million or 9%, from P1,256 million in 2020 to P1,144 million in 2021. The cost reduction of 9% is unparalled compared to revenue decline of 28% as operating vessels were running at low load factor especially the Ropax ships. Intentional lay up of some of the vessels due to low passenger volume and to reduce operating expenses. However, laid up vessels continue to incur costs for the minimum manning requirement, port expenses, bunker fuel, insurance, and depreciation and amortization.

However, Depreciation and amortization cost increased by P42 million or 12% due to fixed asset additions and new contracts (Right-Of-Use or ROU assets). Outside services up by P11 million or 19%, Rentals increased by P13 million, Supplies cost went up by P3 million or 19%, and Taxes and Licenses rose by P1 million or 24%.

The Group continues to manage and contain costs, reducing Total Other Operating Expenses by P151 million or 48%, from P317 million in 2020 to P166 million in 2021. Manpower rationalization initiated in the second half of 2020 resulted to a P44 million or 37% reduction in Salaries and employee benefits cost. Outside services, Depreciation and amortization, Rentals, Taxes and licenses, and Transportation and Travel costs also went down as shown in the above table.

The Group posted a Consolidated Net Loss of P218 million, a 37% improvement from same period last year of P345 million. This is due to reduced Financing costs by P78 million or 22% resulting from the loan restructuring, Share in Net Loss of an Associate by P34 million or 26% and recognition of P320 million Other Income from a pre-terminated co-loading contract this period.

EBITDA increased to P551 million in 2021 from P470 million in 2020 as a result of the one-time income on the pretermination of the co-loading contract.

Financial Condition

March 31, 2021 versus December 31, 2020

Amounts in millions		Mar. 31, 2021	% Total		Dec. 31, 2020	% Total		Amount Change	%
Current Assets	**P**	**5,502**	**15%**	P	4,988	13%		514	10%
Non-Current Assets		**24,595**	**66%**		24,963	67%	(	368)	-1%
Non-Current Assets Held for Sale		**7,374**	**20%**		7,403	20%	(	29)	0%
Total Assets	**P**	**37,472**	**100%**	P	37,355	100%		117	0%
Current Liabilities	**P**	**17,018**	**60%**	P	16,761	60%		258	2%
Non-Current Liabilities		**11,136**	**40%**		11,108	40%		28	0%
Total Liabilities	**P**	**28,154**	**100%**	P	27,869	100%		285	1%
Total Equity	**P**	**9,318**	**100%**	P	9,486	100%	(	168)	-2%

The Group's Financial Condition as at both periods is almost the same. Current Assets surged by P514 million or 10% from P4,988 million in December 31, 2020 to P5,502 million in March 31, 2021. This is due to increases in Cash and cash equivalents by P39 million or 28% provided by operating activities; Trade receivables up by P198 million or 10% due to longer days' sales outstanding; Fuel and lubricants inventory rose by P99M or 59%; and Advances to Suppliers moved up by P210 million.

Comparable discussion on Material Changes in Results of Operations for the Three Months Ended March 31, 2020 vs. March 31, 2019.

Amounts in millions		Mar 2020		Mar 2019	% Change
Revenues	P	**1,613**	P	1,599	1%
Cost of sales and services		**1,256**		1,008	25%
Gros Profit		**357**		591	-40%
Other Operating Expenses		**317**		210	51%
Operating Profit		**40**		381	-90%
Other Charges - Net		**431**		279	55%
Profit (Loss) Before Tax	(	**391)**		102	-483%
Tax Expense (Income)	(	**32)**	(	37)	-12%
Net Profit (Loss)	(P	**359)**	P	139	-359%
Add Back:					
Tax Expense (Income)	(	**32)**	(	37)	-12%
Interest Expense		**350**		255	37%
Depreciation and Amortization		**369**		276	34%
Less: Interest Income		**5**	(	2)	-408%
EBITDA	**P**	**333**	**P**	**631**	-47%

The Group's revenues slightly increased by ₱14 million or 1% to ₱1.61 billion from ₱1.60 billion. This was despite the Enhanced Community Quarantine (ECQ) imposed to control the spread of the Covid-19 virus in several cities and provinces, which significantly caused a slowdown in the Company's operations starting March 15, which coincidentally is also the start of the shipping industry's peak season.

Tankering revenues (consisting of charter fees and standby charges) declined from ₱527 million to ₱401 million as a result of the unscheduled downtime of MT Chelsea Providence, the Group's medium-range tanker, for the whole month of January. Similarly, revenues from Freight segment dropped by 1% from ₱522 million for the first three (3) months of 2019 to only ₱517 million during the same period in 2019, while passenger revenues rose by 39% from ₱296 million in 2019 to ₱413 million during the same period in 2020. The growth in Passenger revenues can be attributed to the consolidation of The Supercat Fast Ferry Corporation which was acquired by CLC in October 2019.

Tugboat fees slightly increased by 6% for the three (3) months ended March 31, 2019 from ₱82 million to ₱86 million due to higher number of moves during the period.

The Group's Logistics business, which currently accounts for 7% of the total consolidated revenues, posted a 10% decline from 2019's ₱118 million to only ₱106 million for the first quarter of 2020. This was a result of slowdown in the movement of goods as a result of the restriction of land, air and sea transport to and from Luzon, brought about by the Taal eruption and Covid-19 pandemic during the quarter.

The significant drivers to the increase in Costs of Sales and Services were Bunkering Costs, and Depreciation and Amortization, which grew by ₱191 million and ₱72 million, respectively, as a result of additional vessel deployments for the period. On the other hand, there was a significant drop in outside services and charter hire fees as a result of the slowdown in the Group's operations as a result of the ECQ.

Other Operating Expenses increased from ₱210 million to ₱317 million due to increases in salaries and employee benefits, outside services, taxes and licenses and depreciation and amortization resulting from the Group's continued expansion.

The Group's Net Loss for the three (3) months ended March 31, 2020 amounted to ₱359 million as compared to the Net Profit of ₱139 million for the same period in 2019. The significant drop was primarily attributable to the ECQ imposed starting March 15, 2020 as well as the CLC's share in the net loss of associates DITO and 2GO totaling ₱148 million.

The increase in finance costs amounting to ₱95 million pertain to interest expenses related to new loans obtained to finance vessels, which were acquired during the second half of 2019.

EBITDA dropped 47% from ₱631million in 2019 to ₱333 million in 2020 as a result of fixed costs of 4 vessels deployed in operations starting 3rd quarter of 2019.

Financial Condition

(March 31, 2020 vs. December 31, 2019)

Amounts in millions		Mar-20		Dec-19	% Change
Current Assets	P	**5,504**	P	5,055	9%
Non-Current Assets		**36,445**		35,950	1%
Total Assets	P	**41,949**	P	41,004	2%
Current Liabilities	P	**19,560**	P	18,077	8%
Non-Current Liabilities		**10,295**		10,473	-2%
Total Liabilities	P	**29,855**	P	28,551	5%
Total Equity	P	**12,094**	**P**	**12,454**	-3%

Total resources of the Group grew to ₱41,949 million as of March 31, 2020 from ₱41,004 million as of December 31, 2019.

Cash and cash equivalents dropped by 27% from ₱375 million as of December 31, 2019 to ₱276 million as of March 31, 2020 as a result of negative cash flows from operations attributable to the ECQ imposed towards the second half of March 2020, which historically is the start of the peak season for the Group's operations.
Trade and Other Receivables increased by 16% from ₱2,226 million as of December 31, 2019 to ₱2,571 million as of March 31, 2020 primarily due to timing of collections from customers.

The slight increase in inventories of approximately ₱26 million was due to the stoppage in operations of shipyards due to the ECQ, hence, spare parts and other shipping supplies were not consumed as planned.

Advances to related parties rose from ₱814 million as of December 31, 2019 to ₱954 million as of March 31, 2020 as a result of advances to related parties for working capital requirements and other purposes. These advances are expected to be settled in cash or through offsetting arrangements with the related parties.

Property and equipment dropped from ₱22,915 million as of December 31, 2019 to ₱22,219 million as a result of depreciation and amortization charges during the first quarter of 2020.

Investments in an associate and a joint venture increased from ₱6,416 million as of December 31, 2019 to ₱6,874 million as of March 31, 2020 while Goodwill similarly increased from ₱5,713 million as of December 31, 2019 to ₱6,342 million as of March 31, 2020. This was caused by the step-up acquisition in KGLI-NM Holdings, Inc. and subsequent consolidation of the books of accounts of the same as of and for the period ended March 31, 2020.

Trade and other payables slightly increased by ₱10 million from ₱10,760 million as of December 31, 2019 to ₱10,770 million as of March 31, 2020. The increase in Trade and other payables was primarily due to timing of payment of trade payables. Of this amount, ₱4,355 million as of March 31, 2020 and December 31, 2019 pertain to subscription payable relating to the Company's investments in DITO and DHC.

Interest-bearing loans slightly increased from ₱16,307 million as of December 31, 2019 to ₱16,396 million as of March 31, 2020 as a result of new availment from the Group's revolving PN lines.

Redeemable preferred shares represent preferred shares issued by KGLI-NM Holdings, Inc. in previous years and are only consolidated in the Group's consolidated financial statements starting 2020.

The increase in Income Tax Payable was primarily due to the tax due for the first quarter of 2019. Note that income tax payable for the year ended December 31, 2019 remains unpaid as of March 31, 2020 as these were due to be paid in the second quarter of 2020.

The increase in deferred tax liabilities by 31% was mainly due to the tax effect of revaluation increment related to vessels.

With the ₱359 million Net Loss of the Company for the period ended March 31, 2020, the Retained Earnings consequently declined.

Key Performance Indicators and Relevant Ratios

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

	Mar-21	**Dec-20**	**Mar-20**	**Dec-19**
Current ratio	0.32	0.30	0.28	0.28
Debt-to-equity ratio	3.02	2.94	2.47	2.29
Book value per share	5.11	5.09	6.64	6.84
EBITDA margin	48%	4%	21%	26%
Return on equity	-2.34%	-35%	-2.97%	-6.68%
Loss per share	-0.12	-1.82	-0.197	-0.457

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, Net Book Value Per Share 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.

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 23.8 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.

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

On March 27, 2021, the President of the Republic of the Philippines once again declared the imposition of Enhanced Community Quarantine (ECQ) which restricts all land, air and sea transport to and from Luzon 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 and transport. These pronouncements resulted in a significant slowdown in the Group's operations while continuously incurring costs while the vessels are 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 passenger 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, however, may not be true for 2020 as a result 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.

PART II OTHER INFORMATION

1. On 15 January 2020, Chelsea Logistics and Infrastructure Holdings Corp. launched a brand-new RoRo passenger vessel (Hull No. S-1191) at Kegoya Dock Co. Ltd.'s Japan shipyard. This vessel, named MV Starlite Venus, which measures 97.78 meter in length and with a carrying a carrying capacity of 740 passengers, 22 buses, and six trucks, was delivered in 3 August 2020; and stated trading in November 2020.

2. 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 P 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.

   The application for increase in Authorized Capital Stock remain pending with the Securities and Exchange Commission.

3. 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 P 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 in One Peso (₱1.00) per share.

   The application for increase in Authorized Capital Stock remain pending with the Securities and Exchange Commission.

4 On 15 November 2020, Chelsea Logistics and Infrastructure Holdings Corp. launched another brand-new RoRo passenger vessel (Hull No. F-1351) at Fukuoka Shipbuilding Co., Ltd.'s Japan shipyard. This newest passenger ferry ship can carry a total of 1,085 passengers, 24 buses, and 11 trucks. MV Trans-Asia 21 which measures 123-meter in length and with a GRT of approximately 8,800 tons, was delivered in 11 May 2021.

5 On 27 March 2021, 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 have been restricted and this greatly impacted the revenues

of our passenger vessels. Our passenger shipping business comprised 20% of our revenues in 2019.

6 On April 26, 2021, KGLI-NM executed the sale of 86,116,844 2Go shares as part of the full disposal of the Groups investment in 2Go.

SIGNATURES

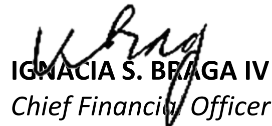
Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CHELSEA LOGISTICS AND INFRASTRUCTURE HOLDINGS CORP.

By:

DENNIS A. UY
Chairman of the Board

CHRYSS ALFONSUS V. DAMUY
President & CEO



IGNACIA S. BRAGA IV
Chief Financial Officer

Signed this 14th day of May 2021