COVER SHEET

CS201619734
SEC Registration Number

CHELSEA LOGISTICS AND INFRASTRUCTURE HOLDINGS CORP.
(Company's Full Name)

STELLA HIZON REYES ROAD
BO. PAMPANGA
DAVAO CITY 8000
(Business Address: No. Street City/Town/Province)

MA. HENEDINA V. SAN JUAN
(Contact Person)

+63 82 224 5373
(Company Telephone Number)

12 31
Month *Day*
(Fiscal Year)

20-IS
Definitive
(Form Type)

05 03
Month *Day*
(Annual Meeting)

*May 3, 2022 At 10:30 a.m. via remote communication

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

30
Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes.

NOTICE OF ANNUAL STOCKHOLDERS' MEETING

Please take notice that the Annual Meeting of Stockholders of **CHELSEA LOGISTICS AND INFRASTRUCTURE HOLDINGS CORP.** will be held on **Tuesday, May 3, 2022** at **10:30 in the morning**, via Remote Communication, with the following:

AGENDA

1. Call to Order
2. Certification of Notice and Determination of Quorum
3. Report of the President & CEO for the Year 2021
4. Report of the Chief Financial Officer for the Year 2021
5. Approval of the Minutes of the Annual Stockholders' Meeting held on May 18, 2021
6. Ratification and confirmation of all acts and resolutions of the Board and Management executed in the normal course of business covering the period February 23, 2021 until February 8, 2022
7. Election of Members of the Board of Directors
8. Appointment of External Auditor
9. Other Matters
    - Amended Employee Stock Option Plan
10. Adjournment

Only stockholders of record as of **April 19, 2022** are entitled to notice of, and to vote at, this meeting.

In view of the current COVID-19 pandemic and the General Community Quarantine in Metro Manila including Davao City where the Company's principal address is located, the physical and actual holding of the Annual Stockholders' Meeting cannot be conducted. In lieu thereof, the Annual Stockholders' Meeting on May 3, 2022 shall be conducted via live streaming.

Stockholders who intend to participate are required to register by sending an email, together with the requirements to ASM@chelsealogistics.ph on or before April 28, 2022 5PM (Philippine Time). Full list of requirements may be viewed on the following link: https://www.chelsealogistics.ph/annual-stockholders-meeting/. The registration is subject to validation, and successful registrations will receive an electronic invitation via email, along with a complete guide on how to join, participate and vote in the Meeting.

Copies of the Notice of the Meeting, Definitive Information Statement and other related documents may be found on https://www.chelsealogistics.phannual-stockholders-meeting/ and through the PSE

Edge Portal. Proxy Forms and Special Powers of Attorney or other Authorization forms are available on the Company's website must be submitted to the Office of the Corporate Secretary, 18th Floor, Udenna Tower, Rizal Drive corner 4th Avenue, Bonifacio Global City, Taguig City by mail or sent by email to ASM@chelsealogistics.ph. Validation of proxies and registration shall commence on April 19 2022 until 5 p.m. of April 28, 2022. Participation in the meeting as well as voting shall be through remote communication. Detailed Procedure for voting shall be posted on the Company's website.

Stockholders may also send your queries regarding the conduct of the Meeting to ir@chelseashipping.ph

Taguig City, 30 March 2022.

MA. HENEDINA V. SAN JUAN
Corporate Secretary

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

Information Statement
of
CHELSEA LOGISTICS AND INFRASTRUCTURE HOLDINGS CORP.
Pursuant to Section 20 of the Securities Regulation Code (the “Code” or “SRC”)

1. **Check the appropriate box:**

   ____________ Preliminary Information Statement
   ___✓_______ Definitive Information Statement

2. **Name of registrant as specified in its charter:** CHELSEA LOGISTICS AND INFRASTRUCTURE HOLDINGS CORP. (the “Company” or “CLIHC”)

3. **Country of Incorporation:** REPUBLIC OF THE PHILIPPINES

4. **SEC Identification Number:** CS201619734

5. **BIR Tax Identification Code:** 009-393-167-000

6. **Address of principal office:** Stella Hizon Reyes Road, Bo. Pampanga Davao City 8000

7. **Registrant’s telephone number:** (082)224-5373

8. **Date, time and place of the meeting of security holders:**

Date	-	May 3, 2022
Time	-	10:30 A.M.
Place	-	Remote Communication (via Zoom)

9. **Approximate date on which the Information Statement is first to be sent or given to stockholders:**

   April 8, 2022

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

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

11. **Are any or all of Company’s securities listed on a Stock Exchange?**

   __√__ Yes　　　　　______ No

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

INFORMATION REQUIRED IN INFORMATION STATEMENT

A. GENERAL INFORMATION

Item 1. Date, time and place of meeting of stockholders

a. Date - May 3, 2022
   Time - 10:30 A.M.
   Place - Stella Hizon Reyes Road, Bo. Pampanga, Davao City
   Remote Communication (via Zoom)

b. Approximate date when the Information Statement is first to be sent to stockholders:
   April 8, 2022

WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE REQUESTED NOT TO SEND US A PROXY.

Item 2. Dissenter's right of appraisal

Pursuant to Section 80 of the Revised Corporation Code of the Philippines, a stockholder has the right to dissent and demand payment of the fair value of his shares in case of any amendment to the Articles of Incorporation that has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence; in case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Corporation Code; in case of merger or consolidation; and in case of investment of corporate funds for any purpose other than the primary purpose of the corporation. Pursuant to Section 81 of the Code, the dissenting stockholder who votes against a proposed corporate action may exercise the right of appraisal by making a written demand on the Company for the payment of the fair value of shares held within thirty (30) days from the date on which the vote was taken.. Failure to make the demand within such period shall be deemed a waiver of the appraisal right. If the proposed corporate action is implemented, the corporation shall pay the stockholder, upon surrender of the certificate or certificates of stock representing the stockholder's shares, the fair value thereof as of the day before the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action.

If within sixty (60) days from the approval of the corporate action by the stockholders, the withdrawing stockholder and the Company cannot agree on the fair value of the shares, it shall be determined and appraised by three (3) disinterested persons, one of whom shall be named by the stockholder, another by the Company and third by the two thus chosen. The findings of the majority of the appraisers shall be final, and their award shall be paid by the Company within thirty (30) days after such award is made: Provided, that no payment shall be made to any dissenting stockholder unless the Company has unrestricted retained earnings in its books to cover such payment: Provided, further, that upon payment by the Company of the agreed or awarded price, the stockholder shall forthwith transfer his shares to the Company.

THERE ARE NO MATTERS THAT WILL BE PRESENTED FOR SHAREHOLDERS' APPROVAL DURING THE ANNUAL STOCKHOLDERS' MEETING THAT MAY OCCASION THE EXERCISE OF THE RIGHT OF APPRAISAL.

Item 3. Interest of certain persons in or opposition to be acted upon

a. No Director or Officer of the Company since the beginning of the last fiscal year, nominee for election as Director of the Company, nor any of their associates, have any substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon during the Annual Stockholders' Meeting, other than election to office.

b. No Director of the Company has informed the Company in writing that he intends to oppose any action to be taken by the Company during the meeting.

B. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting Securities and Principal Holders Thereof

a. Voting Securities

As of December 31, 2021, the total number of shares outstanding and entitled to vote on all corporate matters to be acted upon during the Annual Stockholders' Meeting is 1,821,977,615 common shares.

b. Record Date

The record date for purposes of determining the stockholders entitled to notice of and to vote at the Annual Stockholders' Meeting is **April 19, 2022**.

c. Voting Rights and Trust

In the matters to be voted upon in the Annual Stockholders' Meeting, stockholders of record as of April 19, 2022 shall be entitled to one vote per share in person or by proxy. If he will vote thru a proxy, the By-Laws of the Company requires the submission of the accomplished proxy form to the Corporate Secretary for validation and authentication at least ten (10) days before the date of the Annual Stockholders' Meeting.

The validation of proxies chaired by the Corporate Secretary or Assistant Corporate Secretary and attended by the Stock and Transfer Agent shall be convened at least five (5) days before the Annual Stockholders' Meeting. Any questions and issues relating to the validity and sufficiency, both as to form and substance, of proxies shall only be raised during said forum and resolved by the Corporate Secretary. The Corporate Secretary's decision shall be final and binding upon the shareholders, and those not settled at such forum shall be deemed waived and may no longer be raised during the Annual Stockholders' Meeting.

With respect to the election of the members of the Board of Directors, cumulative voting is allowed. A stockholder may vote such number of shares for as many persons as there are Directors to be elected; or he may cumulate his shares and give one candidate as many votes as the number of Directors to be elected multiplied by the number of his shares; or he may distribute these shares on the same principle among as many candidates as he shall see fit; provided that the total number of votes cast by him shall not exceed the number of shares owned by him as shown in the books of the Company multiplied by the total number of Directors to be elected.

d. Security ownership of certain Record and Beneficial Owners and Management

i. Security Ownership of Certain Record / Beneficial Owners as of December 31, 2021

Title of Class	Name & Address of Record Owner & Relationship to Issuer	Name of Beneficial Owner & Relationship to Record Owner	Citizenship	No. of Shares	Percentage of Outstanding Shares
Common	Udenna Corporation Stella Hizon Reyes Road, Bo. Pampanga, Davao City *Stockholder*	Udenna Corporation	Filipino	1,275,384,606	70.000%
Common	PCD Nominee Corporation 29/F BDO Equitable Tower 8751 Paseo de Roxas, Makati City *Stockholder*	PCD participants acting for themselves or for their customers	Filipino	544,339,892	29.877%

**PCD Nominee Corporation is not a related Company*

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

The 544,339,892 common shares under the name of PCD Nominee Corporation are owned by PCD participants acting for themselves or for their Filipino customers.

Other than the stockholders identified above, as of December 31, 2021, there are no other stockholders other than participants under PCD account who own more than five percent (5%) of the voting securities.

As of December 31, 2021, 0.9% or 16,423,000 Common Shares are owned by foreign stockholders.

ii. Security ownership of Directors and Management as of December 31, 2021

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

Title of Class	Name of Beneficial Owner	Citizenship	Nature of Beneficial Ownership	No. of Shares	Percentage of Outstanding Shares
Executive Officers					
Common	Ignacia S. Braga IV	Filipino	Direct	802,000	0.04%
Common	Ma. Henedina V. San Juan	Filipino	Direct	219,000	0.01%
Common	Reynaldo A. Phala	Filipino	N/A	NIL	NIL
Common	Darlene A. Binay	Filipino	N/A	NIL	NIL
Common	Maria Katherine A. Agbay	Filipino	N/A	NIL	NIL
Common	Leandro E. Abarquez	Filipino	Direct	36,300	NIL
All Directors and Officers as a group				**1,277,839,413**	**70.13%**

As of December 31, 2021, Directors and Executive Officers of the Company owned an aggregate of 1,277,839,413 shares of the Company, equivalent to 70.13% of the Company's total issued and outstanding shares.

iii. Voting trust holders of 5% or more

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

iv. Changes in control

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

Item 5. Directors and Executive Officers

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

Office/Position	Name	Age	Citizenship
Directors			
Chairman	Dennis A. Uy	48	Filipino
Director/President & CEO	Chryss Alfonsus V. Damuy	48	Filipino
Director/Treasurer	Cherylyn C. Uy	42	Filipino
Director	Arthur Kenneth L. Sy	54	Filipino
Director	Efren E. Uy	60	Filipino
Director	Eduardo A. Bangayan	70	Filipino
Independent Director	Miguel Rene A. Dominguez	45	Filipino
Independent Director	Jesus S. Guevara II	67	Filipino
Independent Director	Gener T. Mendoza	64	Filipino
Executive Officers			
President & CEO	Chryss Alfonsus V. Damuy	48	Filipino
Treasurer	Cherylyn C. Uy	42	Filipino
Chief Financial Officer	Ignacia S. Braga IV	56	Filipino
Vice President – Treasury/Deputy CFO	Reynaldo A. Phala	55	Filipino
AVP – Legal & Corporate Affairs / Corporate Secretary	Ma. Henedina V. San Juan	60	Filipino

Office/Position	Name	Age	Citizenship
Finance Controller	Darlene A. Binay	49	Filipino
Compliance Officer	Leandro E. Abarquez	38	Filipino
Chief Audit Executive	Maria Katherine A. Agbay	49	Filipino

Information required of Directors and Executive Officers

i. Directors and Executive Officers

Board of Directors

The following are the final nominees who were duly screened by the Nomination Committee for election to the Board of Directors for the following fiscal year 2022 at the forthcoming Annual Stockholders' Meeting:

1. Dennis A. Uy
2. Chryss Alfonsus V. Damuy
3. Cherylyn C. Uy
4. Arthur Kenneth L. Sy
5. Efren E. Uy
6. Eduardo A. Bangayan
7. Miguel Rene A. Dominguez
8. Jesus S. Guevara II
9. Gener T. Mendoza

Miguel Rene A. Dominguez was nominated as Independent Director by Dennis A. Uy, while Jesus S. Guevara II was nominated as Independent Director by Chryss Alfonsus V. Damuy and Gener T. Mendoza was nominated as Independent Director by Ignacia S. Braga IV.

The nominees are not related by consanguinity or affinity and have no professional or business dealings with the person who nominated them. The nominees are neither officers nor substantial stockholders of the Company. They possess the qualifications and none of the disqualifications of Independent Directors. Prior to being elected as Director of the Company, they have not, at any time, rendered any service to the Company.

For the scheduled Annual Stockholders' Meeting, the Nomination Committee has screened and evaluated the candidates for Independent Directors based on Rule 38 of the Securities Regulation Code ("SRC") and the Company's Amended By-laws and Manual of Corporate Governance.

Below is a summary of the nominees' qualifications:

Dennis A. Uy
Chairman
Dennis A. Uy, Filipino, 48 years old, is the founder and the Chairman of Chelsea Logistics and Infrastructure Holdings Corp. (CLIHC) since its incorporation. He served as President & CEO of CLIHC from incorporation until March 27, 2017. He is the Chairman and President of Phoenix Petroleum Holdings, Inc., the holding company of Phoenix Petroleum Philippines, Inc. (PPPI), and Udenna Corporation, the ultimate parent company of PPPI and CLIHC. He is also the President and CEO of ISM Communications Corp., Udenna Communications, Media and Entertainment Holdings Corp., Udenna Land Inc., Le Penseur Inc., PH resorts Group Inc., DITO Holdings Corp, Udenna Management & Resources Corp. (UMRC) and its subsidiaries. Among the subsidiaries of UMRC are

Global Synergy Trade & Distribution Corporation, PNX-UDENNA Insurance Brokers, Inc., ValueLeases, Inc. Mr. Uy is also Chairman of F2 Logistics, Phoenix Philippines Foundation, and Udenna Foundation. He is a member of the Young Presidents Organization – Philippine chapter and the Philippine Business for Social Progress. Mr. Uy has been the Honorary Consul of Kazakhstan to the Philippines since November 2011. He has a degree in Business Management from De La Salle University.

Chryss Alfonsus V. Damuy
Director, President & CEO
Chryss Alfonsus V. Damuy, Filipino, 48 years old, has been a Director of CLIHC since its incorporation and was appointed President & CEO of the Company on March 27, 2017. He is the President of Chelsea Shipping Corp. and its subsidiaries namely PNX-Chelsea Shipping Corp., Fortis Tugs Corporation, Michael, Inc., Bunkers Manila, Incorporated, Chelsea Ship Management & Marine Services Corp., and Chelsea Marine Manpower Resources, Inc. Mr. Damuy is currently the Vice Chairman of Trans-Asia Shipping Lines, Incorporated and its subsidiaries Oceanstar Shipping Corporation, Starsy Shoppe, Inc., Dynamic Cuisine, Inc. and Quality Metals & Shipworks, Inc. Prior to joining CLIHC, he was the Vice President for Finance of Phoenix Petroleum Philippines, Inc. and General Manager of Calaca Industrial Seaport Corp. Before that, he was the Controller of Lapanday Foods Corporation and held various positions in its subsidiaries including the Fresh Asia Produce as Accounting Manager and the Mindanao Fresh Produce Services Corporation as Assistant Accounting Manager. He also worked as Chief Accountant of the Regional Educators Multi-Purpose Cooperative and as its Branch Officer. Mr. Damuy started his professional career as College Instructor of the Holy Cross of Davao College. He is a Certified Public Accountant and has a degree in Bachelor of Science in Accountancy.

Cherylyn C. Uy
Director, Treasurer
Cherylyn C. Uy, Filipino, 42 years old, is a Director and Treasurer of CLIHC since February 10, 2017. She also serves as the Treasurer of Chelsea Shipping Corp. and its subsidiaries. She is likewise a Director of Phoenix Petroleum Philippines, Inc. and the Corporate Treasurer of the Udenna Group of Companies and F2 Logistics, Inc. Ms. Uy is a graduate of Ateneo de Davao University with a degree in Business Finance.

Arthur Kenneth L. Sy
Director
Arthur Kenneth L. Sy, Filipino, 54 years old, has been a Director of CLIHC since March 27, 2017. He serves as Co-Chairman of Trans-Asia Shipping Lines, Incorporated, and currently the President and CEO of Sybu Real Estate Corporation and Director of Big Hub Transport & Logistics Corp., Dynamic Cuisine, Inc., Starsy Shoppe, Inc., Star Maritima Port and Allied Services, Inc., Oceanstar Shipping Corporation, and Quality Metal and Shipworks Inc. He holds degrees in the fields of business and engineering namely, Bachelor of Science in Business Administration from the University of San Carlos; Bachelor of Science in Marine Engineering, and Bachelor of Science in Mechanical Engineering from the University of Cebu.

Efren E. Uy
Director
Efren E. Uy, Filipino, 60 years old, has been a Director of CLIHC since March 27, 2017. Mr. Uy currently serves as the President and Chief Executive Officer of F2 Logistics Philippines, Inc., F2 Global Logistics, Inc., Agri Farmers, Inc., F8 Prime Transport Services, Inc., Ultimate Yellow Transport Services, Inc., Fmoves Transport Corp. and Miren Holdings, Inc. He has a degree in Bachelor of Science in Mechanical Engineering from University of San Carlos.

Eduardo A. Bangayan
Director
Eduardo A. Bangayan, Filipino, 70 years old, has been a Director of CLIHC since March 27, 2017. He is currently the President of Summit World Group of Companies, a Director for Fuji Oil Philippines and an Independent Director for Manila Mining Corporation. He is also the Vice President of the New Leyte Edible Oil Manufacturing Corporation. From 2004 until 2008, he served as Trustee of the Local Water Utilities Association. Mr. Bangayan served as a Director of the Davao City Water District since 2002 prior to his appointment as Chairman in January 2017 with a term until 2023. Further, he serves as an Independent Director of Rural Bank of Tagum from 2015 until present. He has a degree in Bachelor of Science in Business Administration from Silliman University.

Miguel Rene A. Dominguez
Independent Director
Miguel Rene A. Dominguez, Filipino, 45 years old, has been an Independent Director of CLIHC since March 27, 2017. He is currently the Vice President of Alsons Agribusiness Unit, Director of Sarangani Agricultural Company, Inc. and Alsons Dev't & Investment Corp., and Trustee of Philippine Business for Social Progress, Philippine Business for Education and Synergeia Foundation. He served as Chairman of the Regional Peace and Order Council for Region 12 (2011-2013), Chairman of SOCSARGEN Area Development Board (2008-2011), Chairman of Regional Development Council of Region 12 (2007-2010) and Vice Chairman of Galing Pook Foundation (2014-2016). Mr. Dominguez was named an awardee for Governance and Public Service in the Ten Outstanding Young Men 2013 by the Junior Chamber International Philippines and the TOYM Foundation. He was the first awardee of the Jesse Robredo Leadership Award given the same year. He was governor of Sarangani province for three (3) consecutive 3-year terms that began in 2004.Prior to his election as governor, he was the National Sales and Marketing Manager of the Alsons Aquaculture Corporation in 2003, earning for the brand "Sarangani Bay" a stronghold in the international markets, particularly in the US, Japan and Europe. He has a degree in AB Economics from Boston College in the US.

Jesus S. Guevara II
Independent Director
Jesus S. Guevara II, Filipino, 67 years old, has been an Independent Director of CLIHC since March 27, 2017. From 2009 to the present, he sits as Director of Lipa Bank, Inc. He served as Executive Vice President of the Development Bank of the Philippines, where he worked for eighteen (18) years. He was appointed Chairman of the Board of Phividec Industrial Authority. In the last (5) five years, he has served as Director for DBP Service Corporation, DBP Management Corporation, LGU Guarantee Corporation and DBP Insurance Brokerage, Inc. He has a degree in Bachelor of Arts in Economics from University of the Philippines and Master's Degree in Industrial Relations.

Gener T. Mendoza
Independent Director
Gener T. Mendoza, Filipino, 64 years old, has been an Independent Director of CLIHC, since March 27, 2017. Mr. Mendoza is currently the President of GNCA Holdings, Inc. Apart from his assignment in GNCA, he serves as court-appointed rehabilitation receiver or liquidator for the following companies: Universal Rightfield Property Holdings, Inc., Pacific Activated Carbon Company, Inc., and Premium Agro-Vet Products, Inc. He also assists the liquidator of National Steel Corporation and Advent Capital Corporation. Previously, he was a Principal Partner of SyCip Gorres Velayo & Co., Vice President for Corporate Finance at Kuok Philippine Properties, Inc., and Executive Vice President of Crown Equities Inc. He serves as a Director of IPM Holdings Inc., ACM Landholdings, Inc., and Dualtech Training Center Foundation, Inc. He also serves as Independent Director of Pryce

Corporation, Saga Motors Corporation, Saga Finance Corporation, RCBC Leasing & Finance Corporation, and Rizal Microbank – A Thrift Bank of RCBC. He has a degree in Bachelor of Science in Management Engineering from Ateneo de Manila University and Master's Degree in Business Administration from Harvard Business School.

Period of Directorship in the Company

Name of Director	Period of Service	Term of Office
Dennis A. Uy	since incorporation to present	5 years
Chryss Alfonsus V. Damuy	since incorporation to present	5 years
Cherylyn C. Uy	since February 10, 2017 to present	5 years
Arthur Kenneth L. Sy	since March 27, 2017 to present	5 years
Efren E. Uy	since March 27, 2017 to present	5 years
Eduardo A. Bangayan	since March 27, 2017 to present	5 years
Miguel Rene A. Dominguez	since March 27, 2017 to present	5 years
Jesus S. Guevara II	since March 27, 2017 to present	5 years
Gener T. Mendoza	since March 27, 2017 to present	5 years

Directorships in Other Reporting Companies

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

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

Directorships with government agencies or its instrumentalities

Director Eduardo A. Bangayan is a member of the Board of Directors of the Davao City Water District and Director Jesus S. Guevara II is on the Board of Directors of Phividec Industrial Authority. The written consent / permission issued by these government agencies / instrumentalities for these Directors to hold these positions are attached hereto as Annexes A and A-1 respectively.

There are no other Directors or officers of the Company connected with any government agency or its instrumentalities. Please see Certification of the Corporate Secretary, Annex A-2, that except for Directors Eduardo A. Bangayan and Jesus S. Guevara II, no other Directors or officers of the Company are connected with any government agency or its instrumentalities.

Certification of Independent Directors

The Certification of the Independent Directors of the Company, namely Miguel Rene A. Dominguez, Jesus S. Guevara II and Gener T. Mendoza, on their qualification as Independent Directors, are attached as Annex B, B-1 and B-2, respectively.

Executive Officers

The following Officers are expected to be nominated for re-election or election at the Organizational Meeting of the Board of Directors following the Annual Stockholders' Meeting on March 28, 2022:

Ignacia S. Braga IV
Chief Financial Officer
Filipino, 56 years old, is the Chief Financial Officer of CLIHC. She is also the Vice President for Finance of Udenna Corp., Udenna Management & Resources Corp. and Chelsea Shipping Corp. and its subsidiaries. She is the Treasurer of Starlite Ferries Inc. and its subsidiaries and Trans Asia Shipping Lines, Incorporated. Ms. Braga is a Certified Public Accountant with more than thirty (30) years of corporate finance and accounting experience. Prior to joining the Company, she was formerly the Assistant Vice President – Group Controller of Lapanday Foods Corporation and former Controller of Macondary Agro-Industrial Corporation. She was the Finance Manager of RFM Tuna Corporation and the Asia Industries (Mindanao) Inc. She began her career as an auditor of Sycip Gorres Velayo & Co. in 1986. She is a Cum Laude graduate of Bachelor of Science Commerce Major in Accounting from Ateneo de Davao University.

Reynaldo A. Phala
Deputy Chief Financial Officer / Treasury Head
Filipino, 55 years old, is the Vice President for Treasury and Deputy CFO. He joined the Company in April 2020 after spending 12 years with an affiliate company as AVP for Treasury. He led a progressive banking career for 17 years, which he started at UCPB. He also worked with the Department of Trade and Industry as Municipal Trade and Industry Officer for a year. He graduated from Mindanao State University-General Santos City with the degree Bachelor of Science in Civil Engineering as a consistent academic scholar and passed the licensure examinations for Civil Engineers in May 1989. He obtained his MBA degree conferred by the Ateneo de Manila University and Regis University, Denver, Colorado, USA in 2013 and his Diploma in Corporate Finance in 2018 from the Ateneo Graduate School of Business. He also attended executive courses at Harvard Law School in 2019.

Ma. Henedina V. San Juan
Corporate Secretary and Assistant Vice President for Legal and Corporate Affairs
Filipino, 60 years old, is the Corporate Secretary and concurrently the Assistant Vice President for Legal and Corporate Affairs of CLIHC. She also serves as the Corporate Secretary of Chelsea Shipping Corp. and its subsidiaries, and other Companies in the Udenna Group. Prior to joining the Company, she worked for Petron Corporation, Petronas Energy & Petroleum, Inc. and Herma Corporation. She has a degree in Bachelor of Arts in Political Science and Bachelor of Laws both from University of the Philippines.

Darlene A. Binay
Finance Controller
Filipino, 49 years old, is the Finance Controller of the Company. Prior to joining CLIHC, she was formerly the VP – Finance of Philippine Span Asia Carrier Corp. and AVP – Cluster Finance and

Accounting of Magsaysay Shipping and Logistics Group (National Marine Corporation). She also served as Group Accounting Head of Roxas Holdings, Inc. and Subsidiaries. She was also an Assurance Senior Associate of Joaquin Cunanan & Co. (now Isla Lipana and Co), a Price Waterhouse Coppers member firm. She is a Certified Public Accountant and has a degree in B.S. Accountancy from St. Paul College Quezon City.

Leandro E. Abarquez
Compliance Officer
Filipino, 38 years old, is the Compliance Officer of the Company. Prior to joining CLIHC, he was a Senior Associate at Romulo, Mabanta, Buenaventura, Sayoc & de los Angeles. He has a Bachelor's degree in Biology from the Ateneo de Manila University and obtained his Juris Doctor degree from the same university in 2009.

Maria Katherine A. Agbay
Chief Audit Executive
Filipino, 49 years old, is the Chief Audit Executive and Internal Audit Manager of the Company. Prior to joining CLIHC, she was an active Professional Practitioner in audit, insurance and real estate. She was previously a Lecturer at Far Eastern University – Makati and San Beda College, Manila; Vice-President - Audit and Systems Head and Finance Manager of Trust International Paper Corporation (TIPCO); Vice-President – Controller of subsidiary TIPCO Estates Corporation; Assistant Vice-President of Citibank and Accounting Manager of Kuok Philippine Properties, Inc. and KSA Realty Corporation. She started her career as an Auditor at SyCip, Gorres Velayo & Co. She is a Magna Cum Laude graduate of University of the East, Manila. She also has a Master's Degree in Business Administration from De La Salle University.

Period of Service in the Company

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

ii. Significant employees

No single person is expected to make a significant contribution to the Company's business since the Company considers the collective efforts of all its employees as instrumental to the Company's overall successful performance.

iii. Family relationships

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

1. Spouses Dennis A. Uy (Chairman of the Board) and Cherylyn C. Uy (Treasurer)
2. Spouses Arthur Kenneth L. Sy (Director and Trans-Asia Shipping Vice Chairman) and Sheila Fay U. Sy (Trans-Asia Shipping – General Manager - Interport)

Involvement of Directors and Officers in certain legal proceedings

As of the date of this Information Statement, there are no other material legal proceedings involving CLIHC's Directors and Executive Officers except for the following:

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

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

   On September 5, 2013, an Entry of Appearance with Omnibus Motion (for Judicial Determination of Probable Cause and to Suspend Issuance and/or Service of Warrant of Arrest) dated September 3, 2013 was filed by Mr. Uy's counsel, which prayed for the dismissal of the criminal cases for lack of probable cause. Thereafter, on September 11, 2013, the DOJ filed ten (10) additional Information against Mr. Uy and several John Does and/or Jane Does for alleged violations of the TCCP. These were docketed as Criminal Case Nos. 76,067-13 to 76,076-13.

   On September 19, 2013, a Supplemental Motion for Judicial Determination of Probable Cause dated September 18, 2013 was filed by Mr. Uy's counsel, seeking the dismissal of the ten (10) additional criminal cases for lack of probable cause. On October 14, 2013, the RTC issued an Order dismissing all the cases against Mr. Uy. On November 15, 2013, a copy of the plaintiff People of the Philippines' Motion for Reconsideration with Urgent Motion for Inhibition of Judge George E. Omelio dated November 12, 2013 was received, to which Motion, Mr. Uy filed his Opposition.

   On August 18, 2014, the RTC issued an Order denying the Motion for Reconsideration of the plaintiff. On October 27, 2014, the People of the Philippines filed its Petition for Certiorari with the Court of Appeals for the reversal of the Orders dated October 4, 2013 and August 18, 2014 issued by the trial court. Please see Items 2 and 5 below for status on the Petition for Certiorari.

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

   On October 27, 2014, petitioner People of the Philippines filed a Petition for Certiorari seeking the reversal of the Orders dated October 4, 2013 and August 18, 2014 issued by the trial court dismissing the cases filed against Dennis Ang Uy. The respondents filed their Comment to said Petition for Certiorari, and the parties subsequently filed their respective Memoranda. In its Decision dated October 12, 2016, the Court of Appeals denied the Petition for Certiorari filed by the People of the Philippines. On November 7, 2016, the People of the Philippines filed its Motion for Reconsideration of the Decision dated October 12, 2016. In its Resolution dated 25 January 2017, the Court of Appeals denied the petitioner's Motion for Reconsideration. On 27 March 2017, the petitioner filed its Petition for Review on Certiorari with the Supreme Court which was docketed as G.R. No. 229705, 3rd Division, Manila. Please see Item 5 below for status of Petition for Review on Certiorari.

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

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

   On September 10, 2013, petitioner filed a Motion for Consolidation seeking the consolidation of this case with the Petition for Certiorari (with Application for Issuance of a Temporary Restraining Order and/or Writ of Preliminary Injunction) filed by Jorlan Cabanes, docketed as CA-G.R. SP No.129740. The Motion for Consolidation was granted in the Resolution dated November 6, 2013. Thereafter, all the parties filed their respective Memoranda. On July 25, 2014, the Court of Appeals issued its Decision granting the Petition for Certiorari and declaring the Resolutions dated April 24, 2013 and August 13, 2013 nullified and set aside, and directing that the Information filed against Dennis Uy and Jorlan C. Cabanes before the Regional Trial Courts of Batangas City and Davao City be withdrawn and/or dismissed for lack of probable cause. A Motion for Reconsideration of the Decision dated July 25, 2014 was filed by respondents SOJ and Bureau of Customs. On July 23, 2015, the Court of Appeals issued its Resolution denying respondents' Motion for Reconsideration. On September 10, 2015, petitioner received a copy of the Motion for Extension to File Petition for Review on Certiorari filed by the respondents with the Supreme Court. Please see Item 5 below for status of Petition for Review on Certiorari.

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

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

   In a 'Manifestation in Lieu of Reply' filed by the Office of the Solicitor General on 10 July 2019, the Secretary of Justice prayed that the Manifestation be duly considered and to dismiss all three (3) Petitions without prejudice to the possible filing, if the Court desires, of Supplemental Memoranda from the parties. Please see Item 5 below for status of Petition for Review on Certiorari.

5. *People of the Philippines vs. Hon. George Omelio, in his capacity as Presiding Judge of Davao City Regional Trial Court, Branch 14, Hon. Laida Posadas-Kahugan, in her capacity as acting Presiding Judge of the Davao City Regional Trial Court, Branch 14, Dennis A. Uy, John Does &/or Jane Does G.R. No. 229705, Supreme Court, 3rd Division*

   On February 22, 2017, petitioner filed this Petition for Review on Certiorari with the Supreme Court.

   In its Decision dated 10 December 2021, the Supreme Court finally settled all pending issues on the Bureau of Customs cases filed against Dennis A. Uy, et. al, with its dismissal of the Petitions for Review on Certiorari filed by the former Secretary of the Department of Justice Leila M. De

Lima, Bureau of Customs and the People of the Philippines (De Lima, et. Al.), with respect to the Court of Appeals' Affirmation of the Dismissal of the charges filed against Dennis A. Uy and Jorlan C. Cabanes for alleged violations of the Tariff and Customs Code, with G.R. Nos. 219295-96 and 229705. A copy of the decision can be read through the Supreme Court's website: https://sc.judiciary.gov.ph/23373/. The dispositive portion of the Decision reads: "In sum, the lower courts' finding of no probable cause are supported by relevant laws and evidence on record. Mindful of these considerations, the Court of Appeals' affirmation of the dismissal of the charges is not tainted with grave abuse of discretion. Wherefore, the Petitions are DENIED. The Court of Appeals Decisions and Resolutions in CA-G.R. SP No. 129740 and CA-G.R. SP No. 131702 and CA-G.R. SP No. 06500-MIN are AFFIRMED. SO ORDERED."

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

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

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

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

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

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

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

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

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

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

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

b. Certain relationships and related transactions

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

A summary of the Company's and its Subsidiaries' transactions with its related parties for the periods ended December 31, 2021 and 2020 and the related outstanding balances as of December 31, 2021 and 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 6,426,326,198	P 317,184,433	(P 2,283,754,735)	P 7,406,704,900	P 980,378,702
Associate:						
Chartering of services rendered	21.1	-	-	257,132,921	-	-
Sale of Dito	10	-	4,106,249,866	-	271,874,967	271,874,967
Related parties under common ownership:						
Chartering of services rendered	21.1	261,107,005	447,541,689	987,960,089	32,949,882	70,355,694
Fuel purchases	21.2	1,673,670,555	1,261,997,185	1,769,113,489	(2,743,065,055)	(2,659,297,546)
Acquisition of SFFC's shares	21.6	(528,132,766)	-	650,000,000	-	(528,132,766)
Acquisition of CSC's shares	21.6	-	-	-	(500,000,000)	(500,000,000)
Rental income	21.3	-	-	3,003,290	-	-
Rental expense	21.3	2,213,728	80,955	644,065	(1,330,110)	(57,748)
Donation	21.9(b)	360,000	180,000	360,000	(360,000)	(180,000)
Cash advances granted	21.4	(32,410,566)	(2,716,725)	(29,548,339)	115,930,575	148,341,141
Cash advances obtained	21.4	36,239,823	(527,032,651)	1,078,717,998	(624,023,838)	(587,784,015)
Right-of-use assets	9, 21.7	(82,242,174)	(34,146,043)	159,417,613	43,029,396	125,271,570
Lease liabilities	13.4, 21.7	79,779,198	(27,520,382)	150,824,376	(43,524,796)	(123,303,994)
Key management personnel –						
Compensation and benefits	21.8	55,335,632	53,729,336	51,439,571	-	-

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

Charter Fees and Standby Charges

The Group entered into chartering agreements with PPPI, a related party under common ownership, and 2GO, an associate until 2020, which are made on the same terms as those transactions with third parties. The amounts of revenue recognized are presented as part of Charter fees and Standby charges under the Revenues section of the consolidated statements of profit or loss. The related outstanding receivable as of December 31, 2021 and 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 December 31, 2021 and 2020 based on management's assessment.

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 P112.0 million and P168.2 million as of December 31, 2021 and 2020, respectively, are included as part of the Inventories account in the consolidated statements of financial position (see Note 6). The outstanding liability, which are unsecured, and do not bear any interest as the credit terms range from 30 to 90 days, arising from these transactions as of December 31, 2021 and 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).***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 consolidated statement of profit or loss (see Note 19.3). No similar transaction occurred in 2021 and 2020. There were also no outstanding receivables as of December 31, 2021 and 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.

Advances to and from Related Parties

In the normal course of business, the Group grants and obtains unsecured, noninterest-bearing cash advances to and from its related parties mainly for working capital requirements and to bridge financing of vessel acquisitions pending draw down of related loans.

As of December 31, 2021 and 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
Offsetting against sales proceeds	6,550,275,167	-
Collections	(162,918,202)	-
Advances granted	6,558,667	586,342,675
Balance at end of year	P 7,794,510,442	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
Advances (repayments of advances)		36,239,823	(266,615,985)
Offsetting against acquisition costs	10	-	(260,416,666)
Balance at end of year		P 624,023,838	P 587,784,015

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

	December 31, 2021	December 31, 2020
Advances to officers and employees	₱ 19,931,175	₱ 24,603,182

Advances to officers and employees represent unsecured, non-interest bearing cash advances for business-related expenditures and are subject to liquidation. This advances were extended from 2018 to 2021.

c. Ownership structure and parent company

As of December 31, 2021, Udenna Corporation owns 70.00% of the outstanding shares of the Company.

d. Resignation of Directors

Since the organizational meeting of the Company on May 18, 2021, no Director or Officer has resigned because of a disagreement with the Company on any matter relating to the Company's issuance, operations, policies or practices.

Item 6. Compensation of Directors and Executive Officers

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

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

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

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

Compensation of Executive Officer and Directors (in ₱ millions)					
Name	**Principal Position**	**Salary**	**Bonus**	**Other**	**Total**
		Estimated Compensation For the Year Ended December 31, 2022			
Chryss Alfonsus V. Damuy **Cherylyn C. Uy** **Ignacia S. Braga IV**	President & CEO Treasurer Chief Financial Officer	18.88	0.25	8.22	27.34
All other officers as a group unnamed		16.45		2.16	18.61

Compensation of Executive Officer and Directors (in ₱ millions)					
Name	**Principal Position**	**Salary**	**Bonus**	**Other**	**Total**
		Actual Compensation For the Year Ended December 31, 2021			
Chryss Alfonsus V. Damuy **Cherylyn C. Uy** **Ignacia S. Braga IV** **Raul L. Quisumbing**	President & CEO Treasurer Chief Financial Officer Vice President – Marketing & Port Operations	25.07	0.18	6.90	32.14
All other officers as a group unnamed		10.19	0.2	3.8	23.19

<table>
<tr><th colspan="6">Compensation of Executive Officer and Directors (in ₱ millions)</th></tr>
<tr><th rowspan="2">Name</th><th rowspan="2">Principal Position</th><th>Salary</th><th>Bonus</th><th>Other</th><th>Total</th></tr>
<tr><th colspan="4">Actual Compensation
For the Year Ended December 31, 2020</th></tr>
<tr><td>Chryss Alfonsus V. Damuy</td><td>President & CEO</td><td rowspan="6">30.41</td><td rowspan="6">0.18</td><td rowspan="6">6.90</td><td rowspan="6">37.48</td></tr>
<tr><td>Cherylyn C. Uy</td><td>Treasurer</td></tr>
<tr><td>Ignacia S. Braga IV</td><td>Chief Financial Officer</td></tr>
<tr><td>Irwin M. Montano</td><td>Chief Operating Officer - Starlite Ferries, Inc.</td></tr>
<tr><td>Rizza C. Cantre</td><td>Vice President- Human Resources</td></tr>
<tr><td>Raul L. Quisumbing</td><td>Vice President – Marketing & Port Operations</td></tr>
<tr><td>All other officers as a group unnamed</td><td></td><td>15.14</td><td>0.27</td><td>0.84</td><td>16.25</td></tr>
</table>

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

a. Specification of job title, commencement date of employment, work assignment and possible need for reassignment of work or location as the need may arise.
b. Probation of 6 months from commencement of employment. If the job performance is found to be satisfactory, employment shall be converted to regular status.
c. Salary & Benefits: specifies that the executive officer shall receive his or her monthly salary and a guaranteed 13th month pay less the necessary government deductions required by law, such as but not limited to SSS premium, PHILHEALTH, and PAG-IBIG contributions. The same section likewise provides that the executive's salary shall be subject to annual review which shall take into consideration his or her performance and the achievement of a mutually-agreed goals.
d. Exclusivity: The employment contract states that the executive shall render exclusive service to the Company and to work with other companies, regardless of whether such work is done outside of office hours, without the consent of the Company, is prohibited.
e. Confidentiality: The executive is duty bound to keep confidential information, materials and records which he or she may access in the course of his or her employment with the Company and he or she may not disclose or reproduce the same without the consent of the Company.
f. Professional Conduct: The executive concerned is expected to comply with all the policies and procedures which the Company may issue from time to time. It is specifically prohibited to accept any or all kinds of gifts from suppliers and customers without the consent of the Company.

Employees' Stock Option Plan (ESOP)

The Company has an existing Stock Option Plan which was approved by the Board of Directors on March 14, 2019, and by the Stockholders of the Corporation on March 15, 2019. The objective of the ESOP is to recognize the loyalty, dedication and exemplary performance of the Company's employees, thereby encouraging long-term commitment to the Company.

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

From the time of the approval of the ESOP by the Directors on March 14, 2019 and by the Stockholders of the Corporation on March 15, 2019 to date, no stock options have been exercised. In addition, supervening events have taken place which make it necessary to amend the said Plan in order for its objectives to be achieved. The ESOP Committee has recommended the amendment of the ESOP particularly the provisions on the Subscription Price and the Exercise Date.

The Subscription Price will be revised from the initial Offer Price of P 6.28 to the average of the (a) volume weighted average market price (VWAP) for the thirty (30) days trading days on the Philippine Stock Exchange (PSE) immediately prior to the approval of the Board of Directors of this Amended ESOP, and (b) the Initial Subscription Price of P 6.28 under the original ESOP.

As of December 31, 2021 and 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 been exercised as at December 31, 2021 and 2020.

A total of P5.9 million and P16.9 million is recognized for the years ended December 31, 2021 and 2020, respectively, and is included as part of Salaries and employee benefits under Operating Expenses in the 2021 and 2020 consolidated statements of profit or loss (see Note 18.1) and is credited to Share Options Outstanding in the Equity section of the consolidated statements of financial position. The outstanding share options as of December 31, 2021 and 2020 totaling to 4.6 million options and P2.5 million options, respectively.

The Exercise Date under the amended ESOP will now be 18 March 2023.

The amended ESOP was approved by the Board of Directors of the Corporation at its 29 March 2022 meeting, and will submitted to the Stockholders of the Corporation for approval at the Annual Stockholders' Meeting scheduled on May 3, 2022.

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

Options Held by Directors and Officers							
			Vesting Period				
Name	Principal Position	Options Granted	2020	2021	2022	2023	2024
CEO and Most Highly Compensated Executive Officers		6,983,813	698,381	662,593	598,771	598,771	598,771
All Other Officer of the Company		1,112,764	86,476	86,476	57,445	57,445	57,445

As of December 31, 2021, none of these options were exercised.

Item 7. Independent Public Accountants

Punongbayan & Araullo (P&A), a member firm of Grant Thornton International Ltd., independent auditors, audited the Company's financial statements as at and for the years ended December 31, 2020 and 2021 in accordance with the Philippine Standards on Auditing.

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

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

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

	2019	**2020**	**2021**
Audit Fees	₱4,715,000	₱4,500,000	₱4,500,000

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

There are no other services engaged and fees paid during the last three years.

Audit Committee and Policies

CLIHC's Audit Committee shall be composed of at least three (3) qualified non-executive Directors, the majority of whom, including the Chairman, should be Independent. All of the members of the Committee must have relevant background, knowledge, skills and/or experience in the areas of accounting, auditing and finance. The Chairman of the Audit Committee should not be the chairman of the Board or of any other Committees.

The Audit Committee has the following functions:

a. Provide oversight of Management's activities in managing credit, market, liquidity, operational, legal and other risks of the Company. This function shall include regular receipt from Management of information on risk exposures and risk management activities;
b. Perform oversight functions over the Company's internal and external auditors. It should ensure that the internal and external auditors act independent from each other and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform

their respective audit functions;

c. Review the annual internal audit plan to ensure its conformity with the Company's objectives. The plan shall include the audit scope, resources and budget necessary to implement it;
d. Prior to the commencement of an audit, discuss with the external auditor the nature, scope and expenses of the audit, and ensure proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts;
e. Organize an internal audit department, and consider, when necessary and desirable the appointment of an independent internal auditor and the terms and conditions of its engagement and removal;
f. Monitor and evaluate the adequacy and effectiveness of CLIHC's internal control system including financial reporting control and information technology security;
g. Review the reports submitted by the internal and external auditors;
h. Review the quarterly, half-year and annual financial statements before their submission to the Board of Directors, with particular focus on the following matters: any change(s) in accounting policies and practices; major judgment areas; significant adjustments resulting from the audit; going concern assumptions; compliance with accounting standards; and compliance with tax, legal and regulatory requirements;
i. Coordinate, monitor and facilitate compliance with laws, rules and regulations;
j. Evaluate and determine the non-audit work, if any, of the external auditor, and review periodically the non-audit fee paid to the external auditor in relation to its significance to the total annual income of the external auditor and to our overall consultancy expenses. The Audit Committee shall disallow any non-audit work that will conflict with its duties as an external auditor or may pose a threat to its independence. The non-audit work, if allowed, should be disclosed in our annual report; and
k. Establish and identify the reporting line of CLIHC's internal auditor to enable him to properly fulfill his duties and responsibilities. It shall functionally report directly to the Audit Committee.

CLIHC's Audit Committee shall ensure that its internal auditor in the performance of its work shall be free from interference by outside parties. In addition, the Audit Committee shall be tasked to prepare the Audit Committee Charter (the Charter), which shall contain, among others, its purpose, membership, structure, operations, reporting process, resources and other relevant information. The Charter shall specify how the Audit Committee shall perform its oversight functions as prescribed by the Revised Code of Corporate Governance (the Code).

In the preparation of the Charter, the Audit Committee shall strictly observe the requirements of the Code and other applicable laws and regulations in the Philippines and shall align the Charter with the best practices and standards as provided for in any or combination of the reference guides indicated in SEC Memorandum Circular No. 4, Series of 2012.

Upon approval by the Audit Committee of the Audit Committee Charter, the same shall be submitted for the approval of CLIHC's Board of Directors. Within one year from listing date, the Audit Committee shall assess its performance, as prescribed by and pursuant to SEC Memorandum Circular No. 4, Series of 2012.

Gener T. Mendoza is CLIHC's Audit Committee Chairman, with Dennis A. Uy and Jesus S. Guevara II as members.

Changes in and Disagreements with Accountants

The Company has not had any disagreement with its current external auditor/independent public accountant on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure.

Item 8. Compensation Plans

No action is to be taken by the Company with respect to any compensation plans.

C. ISSUANCE AND EXCHANGE SECURITIES

Item 9. Authorization or Issuance of Securities Other than for Exchange

The Company has a pending application with the Securities and Exchange Commission to increase its authorized capital stock from Two Billion Pesos (₱2,000,000,000) to Three Billion Five Hundred Million Pesos (₱3,500,000,000), divided into Three Billion Four Hundred Ninety Million (3,490,000,000) Common Shares and Ten Million (10,000,000) Preferred Shares, both with the par value of One Peso (P 1.00) per share.

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 Common Shares to be subscribed by Udenna Corporation will have the same features and rights as the issued Common Shares. The increase in issued Common Shares will reduce the public float from 29.84% to 24.75%

On the Preferred Shares, 500,000 shares will be subscribed by Global Kingdom Investments Limited at the issue price of P 1,000 per share, as previously approved by the Board of Directors and ratified by the stockholders on October 6, 2020.

The Preferred Shares shall have the following features:

a. earn cumulative cash dividend at a rate of 8% per annum payable upon the Board of Directors' approval and declaration;
b. convertible to common shares at any time from the date of issuance up to the 5th anniversary date, at the option of the Subscriber, valued at the 90-day Volume Weighted Average Price of the Company's Common Shares at the Philippine Stock Exchange at the time of the signing of the Subscription Agreement, inclusive of any unpaid cumulative accrued dividends. If the Perpetual Preferred Shares are not converted to Common Shares by the Subscriber or redeemed by the Issuer by the end of 5 years, the cumulative cash dividend rate shall increase by 150 basis points, and an additional 100 basis points for each anniversary thereafter. The Subscriber shall be paid pro rata dividends earned at the time of the conversion;
c. may be redeemed at the option of the Company at the end of 2 years from its issuance, or every year thereafter, at the net redemption price of 120% of the issue price, inclusive of cumulative cash dividends, paid or unpaid.

Item 10. Modification or Exchange of Securities

The Company has a pending application with the Securities and Exchange Commission to change the feature of its Preferred Shares from Non-Convertible to Convertible.

Item 11. Financial and Other Information

The Company's financial statements as of and for the year ended December 31,2021 and Management Report are attached as Annexes D and E.

Item 12. Mergers, Consolidations, Acquisitions and Similar Matters

No action is to be taken with respect to mergers, consolidations, acquisitions and similar matters.

Item 13. Acquisition or Disposition of Property

No action is to be taken with respect to acquisition or disposition of property.

Item 14. Reclassification of Accounts

No actions are to be taken with respect to the restatement of any asset, capital, or surplus account of the Company.

D. OTHER MATTERS

Item 15. Action with Respect to Reports and Other Proposed Action

1. Approval of the Minutes of the Annual Stockholders' Meeting held on May 18, 2021
2. Report of the President & CEO for the Year 2021
3. Report of the Chief Financial Officer for the Year 2021
4. Ratification and Confirmation of all acts and resolutions of the Board and Management executed in the normal course of business covering the period February 23, 2021 until February 8, 2022 as set forth in Annex "C".
5. Election of the Members of the Board of Directors
6. Appointment of External Auditor

The Agenda for the May 18, 2021 Annual Stockholders' Meeting held via Remote Communication (in Zoom) was as follows:

1. Call to Order
2. Certification of Notice and Determination of Quorum
3. Report of the President & CEO for the Year 2020
4. Report of the Chief Financial Officer for the Year 2020
5. Approval of the Minutes of the Annual Stockholders' Meeting held on June 3, 2020 and of the Special Stockholders' Meeting held on October 6, 2020
6. Ratification and confirmation of all acts and resolutions of the Board and Management executed in the normal course of business covering the period February 15, 2020 until February 22, 2021
6. Election of the Members of the Board of Directors
7. Appointment of External Auditor
8. Other Matters
9. Adjournment

- A description of the voting and vote tabulation procedures used in the meeting

In the matters to be voted upon in the Annual Stockholders' Meeting which was held via remote communication, stockholders of record were entitled to one vote per share by proxy. The submission of the accomplished proxy form to the Corporate Secretary for validation and authentication at least five (5) days before the date of the Annual Stockholders' Meeting was required. The proxy form was provided on the Company's website.

The validation of proxies chaired by the Corporate Secretary or Assistant Corporate Secretary and attended by the Stock and Transfer Agent was made before the Annual Stockholders' Meeting.

With respect to the election of the members of the Board of Directors, cumulative voting was allowed. A stockholder may vote such number of shares for as many persons as there are Directors to be elected; or he may cumulate his shares and give one candidate as many votes as the number of Directors to be elected multiplied by the number of his shares; or he may distribute these shares on the same principle among as many candidates as he shall see fit; provided that the total number of votes cast by him shall not exceed the number of shares owned by him as shown in the books of the Company multiplied by the total number of Directors to be elected.

- A description of the opportunity given to stockholders to ask questions and a record of the questions asked and the answers given

Stockholders were requested to e-mail their questions before the Stockholders' Meeting. The questions asked and the responses given are attached hereto as Annex "E".

- Matters discussed and Resolutions reached

At the May 18, 2021 Annual Stockholders' Meeting, after a discussion of each item, and opportunity given to the shareholders present to ask questions thereon, approval of the following matters took place: approval of the Minutes of the June 3, 2020 Annual Stockholders' Meeting and of the Special Stockholders' Meeting held on October 6, 2020; approval of the 2020 Audited Financial Statements and Annual Report; ratification of all acts of the Board of Directors, Board Committees and Management for the period covering 15 February 2020 to 22 February 2021; election of the members of the Board of Directors; and appointment of the External Auditor of the Company.

- Record of the Voting Results for each Agenda Item

Stockholders who attended the Annual Stockholders' Meeting by proxy or in person represented 70.15% of the 1,821,977,615 outstanding capital stock of the Company as of the Record Date of 15 March 2021. Udenna Corporation, the shareholder which holds 70% of the total outstanding shares, was represented by Alexis Carlo G. Magsumbol.

There was an affirmative vote of a majority of the votes cast at the meeting for all the items on the Agenda.

- List of Directors, Officers and Stockholders who attended the Meeting

All 9 members of the Board of Directors were present at the Meeting. Also present were Chief Financial Officer Ignacia S. Braga IV, Deputy CFO Reynaldo A. Phala, Finance Controller Darlene A. Binay, Compliance Officer Leandro E. Abarquez, Chief Audit Executive Maria Katherine A. Agbay, and Corporate Secretary Ma. Henedina V. San Juan.

- Material Information on the current stockholders, and their voting rights

Stockholders of the Company hold 1,821,977,615 shares, each of which is entitled to one vote per share. Udenna Corporation owns 1,275,384,606 shares or 70% of the total outstanding capital stock of the Company. The rest of the shares of the Company are held by PCD Nominee Corporations and individual shareholders.

- Appraisals and performance report for the Board and the criteria and procedure for assessment

The Company has a Board Evaluation Report which is intended to assist the Directors in assessing the Board's performance as well as that of the Board Committees, individual Directors and Company officers. The Board Evaluation Report has 5 major sections: Collective Board Rating (Board Composition, Board Efficiency and Importance, Board Meetings and Participation); Board Committees; Individual Director's Self-Rating; Officer's Rating (Chairman of the Board, President & CEO, Department Heads); Over-All Comments/ Suggestions.

- Directors' disclosures on self-dealing and related party transactions

No Director of the Company has any substantial interest, direct or indirect, in any transaction which can be considered as self-dealing or a related party transaction.

- Director compensation report

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

2021	2020	2019
₱ 750,000.00	₱ 1,230,000.00	₱960,000.00

Item 16. Matters Not Required to be Submitted

There are no actions to be taken with respect to any matter, which are not required to be submitted to a vote by security holders.

Item 17. Amendment of Articles of Incorporation, By-Laws or Other Documents

There will be no amendment of the Articles of Incorporation, By-Laws or other documents.

Item 18. Other Proposed Action

a. Ratification and confirmation of all acts and resolutions of the Board and Management executed in the normal course of business covering the period February 23, 2021 until February 8, 2022 as set forth in ***Annex C***.

b. Election of the members of the Board of Directors

c. Appointment of Punongbayan & Araullo as the Company's External Auditors for the Year Ending December 31, 2022.

Item 19. Voting Procedures

Under the Corporation Code, the affirmative vote of stockholders representing at least two thirds (2/3) of the outstanding capital stock of the Company shall be necessary for the approval of the proposed amendment to the Articles of Incorporation and the investment of corporate funds in any other corporation or business or for any purpose other than the primary purpose for which it was organized.

Except in cases provided above, or where the law provides otherwise, all matters subject to vote shall be decided by the plurality vote of stockholders present in person or by proxy and entitled to vote thereat, a quorum being present.

Stockholders of record are entitled to one (1) vote per share. There is no manner of voting prescribed in the By-Laws of the Company. Hence, voting may be done by viva voce, raising of hands or by balloting.

The Stock and Transfer Agent of the Company, BDO Unibank, Inc. – Trust and Investments Group, Securities Service and Corporate Agencies Department (BDO Trust), will validate the votes when voting is done by secret ballot. Likewise, BDO Trust will count the number of hands raised when voting by show of hands is done.

Considering that the Annual Stockholders' Meeting will be held virtually and in accordance with SEC Memorandum No.6, Series of 2020, the following are the internal procedures, describing the steps to be taken by the stockholders for the latter to cast/ submit their votes online:

a) Shareholders of record as of April 19, 2022 are entitled to attend and participate and vote in absentia during the ASM on May 3, 2022 provided they:

    (i) Register by sending an email, together with the requirements to ASM@chelsealogistics.ph on or before 28 April 2022 (5:00 p.m., Philippine time)
    (ii) Have their shares authenticated and verified through the registration process and Proxies, if any and applicable, accompanied by their respective authorities (Special Power of Attorney or Secretary's Certificate) validated.

b) Only Shareholders who have registered and whose shares have been verified, proxies validated shall be counted in the determination of a quorum and other corporate actions.
c) Shareholders may send their questions, comments and/or remarks prior to or during the meeting to ASM@chelsealogistics.ph. It is requested and encouraged that questions will be limited to the Annual Report, Financial Statements as of 31 December 2021 and the Definitive Information Statement sent to all stockholders of record as of 19 April 2022.
d) Since there is only a limited technical capacity for shareholders, only a limited number of questions will be addressed directly during the ASM. However, the Company shall endeavor to answer the submitted questions or queries through the specified email provided by the Shareholder.

    Stockholders who have any objections to the proposed motions may either send their objections in writing to ASM@chelsealogistics.ph on or before 5:00 p.m. on 28 April 2022. Stockholders may also express their objections by clicking the 'Raise Your Hand' button on the Zoom videoconference call and will be entertained by the meeting host.

e) A link to the recorded webcast of the Meeting will be posted on the Company's website after the Meeting.

In view of the fact that the ASM will be conducted virtually, voting shall be cast through the submission of votes/ ballots to any of the following addresses:

(1) Office of the Corporate Secretary 18th Floor, Udenna Tower, Rizal Drive corner 4th Ave., Bonifacio Global City, Taguig City or
(2) Submission of the votes/ ballots, forms through email to ASM@chelsealogistics.ph.

The registration, authentication and validation process shall be open starting April 20, 2022 and will close at 5 p.m. on 3 May 2022. Thereafter, the Shareholder may no longer avail of the option to vote in absentia.

The Company reserves the right to reject processing of registration and deny access to ASM facilities for incomplete documents or for any discrepancy found in the information provided. An email confirmation on the status of the Shareholder's registration shall be sent to the registered email.

UPON THE WRITTEN REQUEST OF A STOCKHOLDER, THE COMPANY WILL PROVIDE, WITHOUT CHARGE, A COPY OF THE COMPANY'S SEC FORM 17-A DULY FILED WITH THE SECURITIES AND EXCHANGE COMMISSION.

ALL REQUESTS MAY BE SENT TO THE FOLLOWING ADDRESS:

MA. HENEDINA V. SAN JUAN
Corporate Secretary
CHELSEA LOGISTICS AND INFRASTRUCTURE HOLDINGS CORP.
18TH Floor, Udenna Tower
Rizal Drive corner 4th Avenue
Bonifacio Global City, Taguig City, Philippines

After reasonable inquiry to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Taguig on the 30th day of March 2022.

CHELSEA LOGISTICS AND INFRASTRUCTURE HOLDINGS CORP.
BY:

MA. HENEDINA V. SAN JUAN
Corporate Secretary

LOCAL WATER UTILITIES ADMINISTRATION
P.O.BOX 34, U.P. Post Office, Katipunan Avenue, Balara, Quezon City
Tel No.: 920-5581 to 99; 920-56-01 Fax No: (632) 922-34-34
Administrator's Direct Line: (02) 929-61-07
LWUA Website: www.lwua.gov.ph

Annex A

CERTIFICATION

To whom it may concern:

This is to certify that **Director EDUARDO A. BANGAYAN** was appointed and qualified as member of the Board of Directors of the Davao City Water District representing the business sector from January 01, 2017 to December 31, 2022 *(Section 8 of PD 198, as amended)*.

This is to further certify that the various business engagements of Director Bangayan do not necessarily hamper his functions as board member because his function as such is limited to policy making only; to establish policy and he does not engage in the detailed management of the District *(Section 18 of PD 198, as amended)*. He performs the functions as policy maker during board meetings only.

As the regulatory authority of the local water districts, the Administration does not see any impediment nor interpose any objection to the appointment of Director Bangayan as board of director to Chelsea Logistics Holding Corporation or to any other corporation for that matter.

This certification is issued for whatever legal purpose this may serve.

Quezon City, Philippines, February 15, 2019.

Engr. ROGELIO B. LUY

Chairman, LWUA Board of Trustees

Annex A-1

REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF JUSTICE
OFFICE OF THE GOVERNMENT CORPORATE COUNSEL

3rd Floor MWSS Administration Building, Katipunan Avenue
Balara, Quezon City
Tel. Nos. 927-0030 / 920-7477 • Fax No. 436-4405
www.ogcc.gov.ph
info@ogcc.gov.ph

OPINION

No. 049
Series of 2019

FOR	:	PHIVIDEC INDUSTRIAL AUTHORITY
ATTENTION	:	HON. JESUS S. GUEVARA II *Chairman of the Board*
RE	:	PROHIBITION ON THE PIA CHAIRMAN TO SERVE AS AN INDEPENDENT DIRECTOR OF PRIVATE CORPORATIONS
DATE	:	1 MARCH 2019

I. Preliminary Statement:

This refers to your request for opinion on whether there is any existing prohibition for the PHIVIDEC Industrial Authority (PIA) Chairman of the Board to be appointed as an Independent Director of private corporations.

II. Antecedents:

On 14 June 2017, President Rodrigo R. Duterte appointed you as Chairman of the PIA Board of Directors (PIA Chairman). Thereafter, you immediately resigned from your position as the Chief Executive Officer (CEO) of an energy company. This is for the reason that the CEO position is a full-time job and therefore might run in conflict with your new appointment.

PHIVIDEC INDUSTRIAL AUTHORITY
Makati Business & Liaison Office
RECEIVED
By ________
Date 03-05-19 Time ________

.... committed to uphold justice under the rule of law.

However, you kept your two independent directorships with two private corporations, one of which is Chelsea Logistics Corporation, a private and listed company. You pointed out that, as PIA Chairman, your functions are limited to those pertaining to policy and direction setting of the company and that the maximum days spent for these matters are two Board meetings and two Committee meetings a month. You added that the day to day operations of PIA are handled and entrusted to the Administrator, who, like you, is also appointed by the President.

III. Issue:

Whether there is any prohibition for you, as PIA Chair, to be appointed as an Independent Director of two private corporations, including a listed company.

IV. Discussion:

The rules in appointing an Appointive Director[1] are governed by Republic Act (RA) 10149, or the GOCC Governance Act of 2011, and Governance Commission for GOCCs (GCG) Memorandum Circular (MC) 2012-07 dated 28 November 2012 Re: Code of Corporate Governance for GOCCs.

Significantly, both RA 10149 and GCG MC 2012-07 do not contain any prohibition for an Appointive Director to be appointed as a Director of a private corporation, whether in an independent or in an ordinary capacity. An examination of their respective provisions readily reveals the absence of any such prohibition.

[1] "Appointive Directors refer to: (1) in the case of Chartered GOCCs, all members of its Board of Directors/Trustees who are not *ex officio* members thereof; xxx" [Section 3(b), RA 10149; and Section 1, GCG MC 2012-07].

The only limitation provided under GCG MC 2012-07 with respect to the appointment of an Appointive Director is that he or she can no longer hold two other Board seats in other GOCCs, subsidiaries and/or affiliates. This limitation is expressly stated in Section 11, as follows:

> Section 11. *Multiple Board Seats.* The capacity of Appointive Directors to serve with diligence shall not be compromised. As such, no Appointive Director in a GOCC, Subsidiary or Affiliate may hold more than two (2) other Board seats in other GOCCs, Subsidiaries and/or Affiliates.

Accordingly, notwithstanding that you have been appointed as PIA Chair, there is no legal impediment for you to serve as an Independent Director of private corporations. As the Supreme Court pointed out in the landmark case of *Manila Electric Company vs. Public Service Commission*[2], it is "a rule of statutory construction that what is not expressly or impliedly prohibited by law may be done, except when the act is contrary to morals, customs and public order."

This is unless there is a specific law, Securities and Exchange Commission regulation or even a corporate policy which prohibits the private corporations where you sit as an Independent Director from nominating an Appointive Director of a GOCC to be a member of their respective Governing Boards. In such case, it is up to them to determine whether there is such a prohibition that applies to their particular cases.

Moreover, your appointment to the private corporations should not at any instance lead into an actual or potential conflict of interest in the performance of your duties and responsibilities as PIA Chair. Pertinently, Section 27.1 of GCG MC 2012-07 states that the duty of loyalty of a Director to always act in the best interest of the GOCC, with utmost good faith in all its dealings with the property and monies of the GOCC, include the obligation to avoid conflict of interest, as follows:

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[2] GR 42317; 21 September 1934.

27.1. *Avoid Conflict of Interest.* – Directors and Officers shall at all times avoid any actual or potential conflict of interest with the GOCC. Each shall also avoid any conflict, or situation, which could reasonably be construed as creating an appearance of a conflict of interest.

Any question about a Director's or Officers' actual or potential conflict of interest with the GOCC shall be brought promptly to the attention of the Chairman of the Board, who will review the question and determine as appropriate course of action.

In addition, Section 3(i) of RA 6713[3] provides that conflict of interest arises when a public official or employee is a member of a board, an officer, or a substantial stockholder of a private corporation or owner or has a substantial interest in a business, and the interest of such corporation or business, or his rights or duties therein, may be opposed to or affected by the faithful performance of official duty." It is thus necessary that you ensure that your membership as independent director in the private corporations will not conflict or tend to conflict your duties as Chairman of the Board of Directors of PIA. It should also be ensured that it will not result in a divided focus of your policy setting functions in the PIA.

In the event that you foresee an actual or potential conflict in the discharge of your functions, please be reminded of Section 9 of RA 6713 which provides:

Section 9. Divestment. - A public official or employee shall avoid conflicts of interest at all times. When a conflict of interest arises, he shall resign from his position in any private business enterprise within thirty (30) days from his assumption of office and/or divest himself of his shareholdings or interest within sixty (60) days from such assumption.

The same shall apply where the public official or employee is a partner in a partnership.

[3] An Act Establishing a Code of Conduct and Ethical Standards for Public Officials and Employees, to Uphold the Time-Honored Principle of Public Office Being a Public Trust, Granting Incentives and Rewards for Exemplary Service, Enumerating Prohibited Acts and Transactions and Providing Penalties for Violations Thereof and for other Purposes.

The requirement of divestment shall not apply to those who serve the Government in an honorary capacity nor to laborers and casual or temporary workers.

Lastly, it bears stressing that the underlying rationale on setting a limit on the number of GOCCs where an Appointive Director may sit is to ensure that his or her capacity to serve with diligence shall not be compromised. We thus enjoin you to take note of such an important rationale and to see to it that you will not be appointed to more than two other private corporations to ensure that you will be able to serve with utmost diligence the PIA Board of Directors as well as the Governing Boards of the private corporations to which you were appointed.

V. <u>Summary:</u>

In fine, we are of the considered view that are no existing prohibition for you, as PIA Chair, to be appointed as an Independent Director of two private corporations (including a listed company) considering that both RA 10149 and GCG MC 2012-07 do not contain any prohibition for an Appointive Director to be appointed as a Director of a private corporation. This is unless there is a specific law, Securities and Exchange Commission regulation or even a corporate policy, which prohibits the private corporations where you sit as an Independent Director from nominating an Appointive Director of a GOCC to be a member of their respective Governing Boards.

Moreover, your appointment to the private corporations should not at any instance lead into an actual or potential conflict of interest in the performance of your duties and responsibilities as PIA Chair. In the event such a conflict of interest arises, you should bring the matter to the Board and, if necessary, resign from your position in the private corporation in accordance with the above-quoted Section 9 of RA 6713.

Lastly, we enjoin you to see to it that you will not be appointed to more than two other private corporations to ensure that your capacity to serve with utmost diligence the PIA Board of Directors, as well as the Governing Boards of the private corporations where you sit, will not be compromised.

ELPIDIO J. VEGA
Government Corporate Counsel

ANNEX A-2

REPUBLIC OF THE PHILIPPINES)
Taguig City) S.S.

SECRETARY'S CERTIFICATE

I, **MA. HENEDINA V. SAN JUAN**, of legal age, Filipino and with office address at the 18th Floor, Udenna Tower, Rizal Drive corner 4th Avenue, Bonifacio Global City, Taguig City, after being duly sworn in accordance with law, hereby depose and state that:

1. I am the duly appointed and incumbent Corporate Secretary of **CHELSEA LOGISTICS AND INFRASTRUCTURE HOLDINGS CORP.** (the **Corporation**), a corporation organized and existing under and by virtue of the laws of the Republic of the Philippines, with office address at Stella Hizon Reyes Road, Bo. Pampanga, Davao City.

2. I certify that to the best of my knowledge and based on official records of the Corporation under my custody, that there is no Director or officer of the Corporation connected with any government agency or its instrumentalities, except for Director Eduardo A. Bangayan and Director Jesus S. Guevara II.

3. I am executing this Certificate to attest to the truth of the foregoing facts and in connection with the requirement of the Securities and Exchange Commission for the Corporation's Definitive Information Statement.

IN WITNESS WHEREOF, I have hereunto set my hand this 29 MAR 2022 March 2022 in Taguig City, Metro Manila.

MA. HENEDINA V. SAN JUAN
Corporate Secretary

SUBSCRIBED AND SWORN to before me this 29 MAR 2022 March 2022, affiant exhibiting to me her Driver's License No. N06-84-035706 valid until 1 September 2022.

Doc. No. 48;
Page No. 11;
Book No. IV;
Series of 2022.

ATTY. PAUL VINCENT P. SIOC
Notarial Commission No. 75 (2021-2022)
Blk. 5 Lot 21 Phase 2, Pinagsama Village, Taguig City
Roll No. 68383
IBP Lifetime No. 019210; 05-08-17; Makati City
PTR No. A-5392945; 01-13-2022; Taguig City
MCLE Compliance No. VI-0011491; 07-22-18
...siochi@gmail.com / +63(915)4406743

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **MIGUEL RENE A. DOMINGUEZ**, Filipino, of legal age and a resident of 3 Akasya SACI, Maribulan, Alabel, Sarangani Province, after having been duly sworn to in accordance with law do hereby declare that:

1. I am an Independent Director of CHELSEA LOGISTICS AND INFRASTRUCTURE HOLDINGS CORP. (the "Corporation") and have been its Independent Director since March 27, 2017.

2. I am affiliated with the following companies or organizations :

Company/Organization	Position/ Relationship	Period of Service
Alsons Agribusiness Unit	Vice President	June 2014 - present
Sarangani Agricultural Company,Inc.	Director	June 2014 - present
Philippine Business for Social Progress	Trustee	Feb 2017 - present
Philippine Business for Education	Trustee	June 2017 – present
Galing Pook Foundation	Vice Chairman	Dec 2014- Dec 2016
Synergeia Foundation	Trustee	Feb 2012 - present
Alsons Dev't & Investment Corp.	Director	Dec 2021 – present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of the Corporation, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.

4. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

5. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

6. I shall inform the Corporate Secretary of the Corporation of any changes in the abovementioned information within five days from its occurrence.

Done, this 08 FEB 2022 day of February 2022 at Taguig City.

MIGUEL RENE A. DOMINGUEZ
Affiant

08 FEB 2022

Subscribed and sworn to before me this ____ day of February 2022 at Taguig City, affiant personally appeared before me and exhibited to me his Tax Identification No. 921-338-194 .

Doc. No. 214 ;
Page No. 45 ;
Book No. II ;
Series of 2022.

ATTY. PAUL VINCENT P. SIOCHI
Notarial Commission No. 75 (2021-2022)
Roll No. 58383
IBP Lifetime No. 016219; 05-08-17; Makati City
PTR No. A-5392945; 01-18-2022; Taguig City
MCLE Compliance No. VI-0011491; 07-22-

ANNEX B-1

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **JESUS S. GUEVARA II**, Filipino, of legal age and a resident of 122 Stanford Street, Cubao, Quezon City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am an Independent Director of CHELSEA LOGISTICS AND INFRASTRUCTURE HOLDINGS CORP. (the "Corporation") and have been its Independent Director since March 27, 2017.

2. I am affiliated with the following companies or organizations:

Company/Organization	Position/Relationship	Period of Service
Lipa Bank, Inc.	Director	2009 to the present
Phividec Industrial Authority	Chairman	July 2017 to present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of the Corporation, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.

4. I disclose that I am subject of the pending case – *"Ombudsman vs. Bundoc, et. al."*, G.R.No.225521-28 for Grave Misconduct, now pending before the Supreme Court, First Division.

5. I have the required permission from the Phividec Industrial Authority to be an Independent Director in the Corporation.

6. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

7. I shall inform the Corporate Secretary of the Corporation of any changes in the abovementioned information within five (5) days from its occurrence.

Done, this 07 FEB 2022 day of February 2022 at Taguig City.

JESUS S. GUEVARA II
Affiant

Subscribed and sworn to before me this 07 FEB 2022 day of February 2022 at Taguig City, affiant personally appeared before me and exhibited to me his Tax Identification No. 125-805-086.

Doc. No. 213;
Page No. 44;
Book No. II;
Series of 2022.

ATTY. PAUL VINCENT P. SIOCHI
Notarial Commission No. ... (2021-2022)
... Lot 21 Phase 2, Pinagsa... Taguig City
Roll No. ...
... No. 015219; ... Makati City
PTR No. A-5392945; 01-18-2022; Taguig City
MCLE Compliance No. VI-0011491; 07-22-18
atty.siochi@gmail.com / +63(915)4406743

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **GENER T. MENDOZA**, Filipino, of legal age and a resident of 14D South Tower, Pacific Plaza Towers, Bonifacio Global City, Taguig City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am an Independent Director of CHELSEA LOGISTICS AND INFRASTRUCTURE HOLDINGS CORP. (the "Corporation") and have been its Independent Director since March 27, 2017.

2. I am affiliated with the following companies or organizations:

Company/Organization	Position/ Relationship	Period of Service
GNCA Holdings, Inc.	President	1997 to present
IPM Holdings, Inc.	Regular Director	2007 to present
ACM Landholdings, Inc.	Director	2010 to present
Dualtech Training Center Foundation, Inc.	Trustee Chairman / Board of Trustees	2012 to present 2019 to the present
Pryce Corporation	Independent Director	2019 to present
Pamantasan ng Lungsod ng Maynila	Regent	2019 to present
Saga Motors Corporation	Independent Director	Feb 2020 to present
Saga Finance Corporation	Independent Director	Feb 2020 to present
RCBC Leasing & Finance Corporation	Independent Director	April 2021 to present
Rizal Microbank- A Thrift Bank of RCBC	Independent Director	August 2021 to present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of the Corporation, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.

4. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

5. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

6. I shall inform the Corporate Secretary of the Corporation of any changes in the abovementioned information within five (5) days from its occurrence.

Done this 07 FEB 2022 day of February 2022 at Taguig City.

GENER T. MENDOZA
Affiant

Subscribed and sworn to before me this 07 FEB 2022 day of February 2022 at Taguig City, affiant personally appeared before me and exhibited to me his Tax Identification No. 102-092-109.

Doc. No. 214;
Page No. 44;
Book No. II;
Series of 2022.

ATTY. PAUL VINCENT P. SIOCHI
Notarial Commission No. 75 (2021-2022)
Blk. 5 Lot 21 Phase 2, Pinagsama Village, Taguig City
Roll No. 69383
IBP Lifetime No. 016219; 05-08-17; Makati City
PTR No. A-5392945; 01-18-2022; Taguig City
MCLE Compliance No. VI-0011491; 07-22-18
atty.siochi@gmail.com +63(915)4406743

ANNEX C

ACTS AND RESOLUTIONS OF THE BOARD OF DIRECTORS FOR THE PERIOD COVERING February 23, 2021 to February 8, 2022

15 February	• Authority for the Corporation to enter into an agreement with Udenna Tower Corporation for the assignment by the latter of all rights, title and interests, present and future, to any receivables arising from the Contract of Lease between the Corporation and Udenna Tower Corporation, to Philippine Bank of Communications; Authority for the Corporation to sign the Counterparty Letter addressed to the Bank to effect this assignment; Designation of the Corporation's Chief Financial Officer Ignacia S. Braga as authorized signatory for the Counterparty Letter. • Authority for the Corporation to secure loan/ credit accommodations from Amalgamated Investment Bancorporation (AIC) in the amount of ₱500M; Designation of Chryss Alfonsus V. Damuy as Class A signatory (signing singly), and Ignacia S. Braga IV and Ma. Henedina V. San Juan as Class B signatories (signing jointly) for all documents/ instruments to be executed for this loan.
10 March	Authority for the Corporation to postpone the Annual Stockholders' Meeting scheduled on March 29, 2021 in order to allow the Corporation to undertake activities required by its external auditors for the completion of the Audited Financial Statements.
15 March	• Designation of the Corporation's Corporate Secretary Ma. Henedina V. San Juan, Finance Controller Darlene A. Binay, and Asst. Manager Ma. Christina Pangan as authorized signatories for the Online Submission Tool of the Securities and Exchange Commission. • Authority for the Corporation to act as Surety for the obligations incurred by Chelsea Shipping Corp. with the Development Bank of the Philippines in the amount of ₱1.82B and to execute and sign the Continuing Surety Agreement with the Bank; Designation of the President & CEO Chryss Alfonsus V. Damuy as authorized signatory for the Continuing Surety Agreement.
23 April	Authority for the Corporation to secure a loan from Philippine Business Bank – Trust and Investment Center in the amount of US$3.5M; Designation of President & CEO Chryss Alfonsus V. Damuy as authorized signatory for all documents/ instruments to be executed for this loan.
26 April	Authority for the Chairman of the Board Dennis A. Uy to sign the Special Power of Attorney in favor of Shukuro Hayashi for the notarization / apostille of the documents of the Vessel F-1351.
3 May	Authority for the Corporation to obtain a loan from Southfield Agencies, Inc. in the amount of Three Million Five Hundred Thousand Dollars (US$3.5M) for the purpose of financing the Corporation's equity due on the acquisition of Ro-ro Type Passenger Ferry with Ship No.F-1351 (Trans-Asia 21) for delivery on May 11, 2021; Designation of the Corporation's Chairman of the Board Dennis A. Uy and President & CEO Chryss Alfonsus V. Damuy as authorized signatories for the Memorandum of Agreement with Southfield Agencies, Inc.

17 May	• Authority for the Corporation to enter into an agreement for the sale by its subsidiary KGLI-NM Holdings, Inc. of 230,563,877 Common Shares in 2Go Group, Inc. to Trident Investments Holdings Pte. Ltd.; Authority for the Corporation's President & CEO Chryss Alfonsus V. Damuy and Chief Financial Officer Ignacia S. Braga IV to sign all documents necessary for this transaction. • Authority for the Corporation to enter into an agreement for the sale by its subsidiary KGLI-NM Holdings, Inc. of 550,558,388 Common Shares in 2Go Group, Inc. to SM Investments Corporation; Authority for the Corporation's President & CEO Chryss Alfonsus V. Damuy and Chief Financial Officer Ignacia S. Braga IV to sign all documents necessary for this transaction. • Authority for the Corporation to purchase from ES Consultancy Group, Inc., 43,081 Redeemable Preferred B shares and 200 Common Shares of KGLI-NM Holdings, Inc.; Authority for the Corporation's President & CEO Chryss Alfonsus V. Damuy to sign and execute the Deed of Absolute Sale to implement this transaction.
24 May	Designation of Chief Financial Officer Ignacia S. Braga IV as authorized signatory for the Corporation's request for Tax Clearance from the Bureau of Internal Revenue; Authority for Janel Lagahit, Melane Salang or Cristine Ayles to follow-up the request with the Bureau.
31 May	Authority for the Corporation to open and maintain Savings / Current accounts, apply for and obtain loans or to avail of related services with China Banking Corporation and/or China Banking Corporation – Trust and Asset Management Group; Designation of Chryss Alfonsus V. Damuy and Ignacia S. Braga IV as Class A signatories, Reynaldo A. Phala and Ma. Henedina V. San Juan as Class B signatories, and Darlene A. Binay and John Francis V. Gatus as Class C signatories, where any Class A or B signatory signing with any Class C signatory for amounts up to ₱5M, and any Class A signatory with any Class B signatory for any amount.
21 June	Authority for the Corporation to enter into Shareholders' Agreement, Investment Agreement, by and among Dito Holdings Corporation, Udenna Corporation, Udenna Communications, Media and Entertainment Holdings Corp., Summit Global Limited and the Corporation; and to enter into the Amended and Restated Shareholders' Agreement, by and among, Dito Telecommunity Corporation, Udenna Corporation, Dito Holdings Corporation, China Telecommunications Corporation, and the Corporation, in connection with the shareholdings of the Corporation in Dito Holdings Corporation; Authority for President & CEO Chryss Alfonsus V. Damuy to enter into and sign the above Agreements, and to do any and all acts and deeds as may be required or necessary to carry out the Agreements, including all transactions contemplated thereby and all matters related thereto .
19 July	Authority for the Corporation to act as Guarantor for the loan/ credit accommodation granted by 8H Capital Asia Growth Fund to Chelsea Dockyard Corp. in the amount of Two Million U.S. Dollars (US$2M), and to execute, sign and deliver the Guaranty Agreement / documents; Authority for the Corporation's President & CEO Chryss Alfonsus V. Damuy to sign, execute and deliver the Guaranty Agreement and any and all documents or instruments for this transaction.

26 July	Authority for the Corporation to act as Surety for the loan/ credit accommodation granted by Unionbank of the Philippines to Chelsea Shipping Corp. in the amount of Two Hundred Forty Million Pesos (₱240M), and to execute, sign and deliver the Continuing Surety Agreement and all other necessary documents; Authority for the Corporation's President & CEO Chryss Alfonsus V. Damuy as Class A signatory, and Chief Financial Officer Ignacia S. Braga IV and Ma. Henedina V. San Juan as Class B signatories where the Class A signatory can sign singly for any transaction, and where the Class B signatories have to sign jointly for all transaction.
9 August	Authority for the Corporation to avail of the Pag-Ibig Fund's Program on Penalty Condonation for Financially-Distressed Employers due to Covid 19 pandemic and to file its application for inclusion in said program; Authority for the Corporation's Assistant Manager-Human Resources Sherlyn R. Guerzon to sign, execute and deliver the Application for Penalty Condonation as well as all other documents which may be necessary in connection with said program.
4 October	Authority for the Corporation's President & CEO Chryss Alfonsus V. Damuy to sign the KYC Questionnaire of EGIS with such terms and conditions as said signatory may deem to be in the best interest of the Corporation.
18 October	• Authority for Cristine Ayles, Eduardo Magalit, Francisco Delicanan, Ronaldo Laurilla, to file, process and follow-up the Corporation's Application for Certificate Authorizing Registration with the Bureau of Internal Revenue in connection with the purchase by the Corporation of Redeemable Preferred B shares and Common shares of ES Consultancy Group, Inc. in KGLI-NM Holdings, Inc. and to receive the Certificate Authorizing Registration from the Bureau of Internal Revenue. • Authority for the Corporation to transact with BDO Unibank, Inc. and its affiliates such as BDO Leasing and Finance, Inc., BDO Rental, Inc. and BDO Private Bank, Inc. for the obtainment of loan facilities and availment of banking products and services; Designation of Chryss Alfonsus V. Damuy and Ignacia S. Braga IV as Class A signatories, Reynaldo A. Phala, Ma. Henedina V. San Juan and Darlene A. Binay as Class B signatories, and John Francis V. Gatus as Class C signatory, where the signature of any Class A or Class B signatory with the Class C signatory shall be sufficient for any transaction up to the amount of ₱5M, and where the signature of any Class A signatory with any Class B signatory shall be sufficient for any transaction in any amount. • Authority for the Corporation to open and maintain Deposit Accounts and/or Trust Accounts with Philippine Business Bank, Inc. at any of its branches; Designation of Chryss Alfonsus V. Damuy and Ignacia S. Braga IV as Class A signatories, Reynaldo A. Phala, Ma. Henedina V. San Juan and Darlene A. Binay as Class B signatories, and John Francis V. Gatus as Class C signatory, where the signature of any Class A or Class B signatory with the Class C signatory shall be sufficient for any transaction up to the amount of ₱5M, and where the signature of any Class A signatory with any Class B signatory shall be sufficient for any transaction in any amount.

8 November	• Authority for the Corporation to subscribe to an additional one million (1,000,000) shares of Starlite Ferries, Inc. for the total subscription amount of One Hundred Million Pesos (P 100,000,000.00) payable by way of conversion of advances into equity of the Corporation.
3 January 2022	• Authority for the Corporation to file its application for issuance of its 2022 Business Permit in the City of Davao; Designation of Chief Financial Officer Ignacia S. Braga IV as authorized signatory for the application; Authority for Entia Accounting Office and any of its representatives to follow-up this application with the City Government of Davao. • Authority for Melane Salang, Jezzela Artiaga and Janel Lagahit to submit the Corporation's 2021 Computerized Book of Accounts under Head Office Branch Permit No. AC-132-032020-000002 with the Bureau of Internal Revenue.
3 January 2022	• Authority for the Corporation to submits its 2021 Computerized Book of Accounts to the Bureau of Internal Revenue • Authority for the Corporation to file its application for issuance of its 2022 Business Permit in Davao City; Designation of CFO Ignacia S. Braga IV as signatory for the application; Authority for Entia Accounting Office to follow-up the application.
7 February	• Authority for the Corporation to sell its Mitsubishi Montero Sport (Plate No.NAM8323); Designation of CFO Ignacia S. Braga IV as signatory for the Deed of Sale. • Authority for the Corporation to sell its Mitsubishi Xpander GLS Sport (Plate No.B6V693); Designation of CFO Ignacia S. Braga IV as signatory for the Deed of Sale.
17 February	• Postponement of the scheduled Annual Stockholders' Meeting from March 28, 2022 to May 3, 2022.

ANNEX D

MANAGEMENT REPORT

I. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS 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 year ended December 31, 2021 and 2020. The following discussions should be read in conjunction with the attached audited consolidated financial statements of the Group as of December 31, 2021 and 2020.

Comparable discussion on Material Changes in Results of Operations for the year ended December 31, 2021 and 2020.

Amounts in millions Php	December 31				
	2021	%/Rev	2020	%/Rev	% Change
Revenues	**4,469**	100%	4,679	100%	**-4%**
Cost of sales and services	**4,979**	111%	5,298	113%	**-6%**
Gross profit (loss)	**(510)**	-11%	(619)	-13%	**-18%**
Other operating expenses	**1,094**	24%	1,042	22%	**5%**
Provision for estimated credit losses	**396**	9%	762	16%	**-48%**
Operating profit (loss)	**(2,001)**	-45%	(2,423)	-52%	**-17%**
Finance cost, net	**1,425**	32%	1,279	27%	**11%**
Share in net loss of associates	**892**	20%	1,046	22%	**-15%**
Other charges (income), net	**(347)**	-8%	(1,846)	-39%	**-81%**
Profit (Loss) before tax	**(3,971)**	-89%	(2,902)	-62%	**37%**
Tax expense (income)	**(65)**	-1%	409	9%	**-116%**
Net profit (loss) after tax	**(3,906)**	-87%	**(3,311)**	**-71%**	**18%**
Add Back:					
Tax expense (income)	**(65)**	-1%	409	9%	**-116%**
Depreciation and amortization	**1,485**	33%	1,676	36%	**-11%**
Interest Expense (Income), net	**1,403**	31%	1,300	28%	**8%**
Loss on debt modification	**0**	0%	87	2%	**-100%**
Share in net losses of an associate	**892**	20%	1,046	22%	**-15%**
Gain on sale of an asset held for sale	**(145)**	-3%	0	0%	**100%**
Gain on redemption of preferred shares	**(355)**	-8%	0	0%	**100%**
Gain on bargain purchase	**0**	0%	(1,185)	-25%	**-100%**
Gain on sale of an associate	**0**	0%	(984)	-21%	**-100%**
Loss on remeasurement of shares	**0**	0%	333	7%	**-100%**
Impairment of goodwill	**10**	0%	0	0%	**100%**
Provision for estimated credit losses	396	9%	762	16%	**-76%**
Impairment losses on property and equipment	**71**	**2%**	71		**0%**
Other (Income) Charges	**183**	4%		0%	**100%**
Adjusted EBITDA	**(31)**	-1%	**205**	**4%**	**-115%**

Year 2020 saw the serious onset of the COVID-19 pandemic and Year 2021 was the continuation of the debilitating effects of the pandemic which spared no one globally. The pandemic hampered economic activities of all businesses in the country, disrupting all aspects and areas of business entities and putting their survival at risk

In 2021, Chelsea Logistics and Infrastructure Holdings Corp. and its Subsidiaries' (CLIHC or the "Group") Consolidated Net Loss After Tax was ₱3,906 million or ₱2.143 loss per basic and diluted share compared to 2020 of ₱3,311 million or ₱1.817 loss per basic and diluted share. This was due to incurred losses from the sale of certain assets during the year which amounted to ₱496 million, net. The first two and a half months of 2020 was on pre-pandemic status.

Consolidated Revenues was ₱4,469 million for the year, a decrease of 4% compared to prior year due to decline in revenues in the tanker, passenger and tugboat segments of the Group. Vessel availability issues, low passenger volume due to travel protocols and lower tugs movement brought by reduced entry of foreign vessels owing to certain requirements imposed by port operators, resulted in the reduction in Revenues in these segments. However, the shortfall was alleviated by the increase in freight and logistics revenues by 30% and 41%, respectively year over year. With few vessels in operation and reduced capacity, route rationalization was done to identify profitable routes and to maximize revenue generation of each vessel.

The Group reacted to the challenging condition of shrinking revenues by reducing operational expenditures and by practicing strict cost control. Cost of Services decreased by 6% to ₱4,979 million from ₱5,298 million in 2020. Some of the vessels were placed on intentional lay up due to low load factor and to save on cash costs. Certain vessels were also on extended drydocking which brought about the reduction in Depreciation and Amortization expense by 12% and Repairs and Maintenance costs by 31%. Manning for laid up vessels and for those on extended drydock, are kept at minimum allowable, decreasing Crew cost by 21%. Consolidated cost of services includes Impairment Losses on Vessels amounting to ₱71 million in 2021 and ₱69 million in 2020.

Under-utilization of vessels put margin pressure on the Group's operating performance which resulted to a negative consolidated margin of 11% in 2021 however, this is an improvement from last year's 13% negative margin.

Consolidated Other Operating costs were ₱1,094 million for the year, an increase of 5% year over year, which was due to higher Outside Services costs this year.

CLIHC and Subsidiaries thoroughly considered and set aside the expected credit loss this year of P396 million in addition to ₱762 million provided in 2020, to uplift coverage as well as to closely monitor asset quality.

Consolidated Operating Loss was ₱2,001 million compared to ₱2,423 million for the same period last year, due to cost containment measures implemented.

The Group's Finance cost was ₱1,425 million, an 11% increase from prior year of ₱1,279 million due to loan restructuring of the Group.

Share in Net Losses of an Associate, Dito Holdings Corp. (DHC) was ₱892 million, a 15% drop from 2020 share in losses of ₱1,046 million. 2020 includes share in net losses from DHC of ₱149 million, 2GO Group, Inc. of ₱206 million, and Dito Telecommunity Corp. (DTC) of ₱691 million.

Net Other Income in the period amounted to ₱347 million compared to ₱1,846 million in prior year and comprised the following expense (income) items:

Amounts in millions Php	December 31				
	2021	%/Rev	2020	%/Rev	% Change
Loss on debt modification[1]	**0**	0%	(87)	-2%	-100%
Gain on bargain purchase[2]	**0**	0%	1,185	25%	-100%
Loss on remeasurement of shares[2]	**0**	0%	(333)	-7%	-100%
Gain on sale of an associate[3]	**0**	0%	984	21%	-100%
Gain on sale of an asset held for sale[4]	**145**	3%	0	0%	100%
Gain on redemption of preferred shares[5]	**355**	8%	0	0%	100%
Impairment of goodwill[6]	**(10)**	0%	0	0%	100%
Other Income (Charges)	**(143)**	-3%	98	2%	-245%
Gain on pre-termination of time charter contract[7]	313	7%	0	0%	100%
Gain (Loss) on sale of vessels and equipment[8]	(496)	-11%	50	1%	-1091%
Gain on retirement of fixed assets[9]	0	0%	24	1%	-100%
Miscellaneous	41	1%	24	1%	66%
Net Other Income	**347**	8%	**1,846**	39%	**-81%**

[1] In 2020, part of the Group's loans were restructured which incurred cost of ₱87 million on debt modification.

[2] The Gain on Bargain Purchase of ₱1,185 million and Loss on Remeasurement of Investment of ₱333 million resulted from the step-up acquisition of KGLI-NM, a subsidiary and recorded in 2020. The investment and corresponding goodwill were measured at fair value less cost to sell.

[3] The ₱984 million Gain on Sale of an Associate arose out of the sale of 40,833,332 Common shares and 22,916,666 Preferred shares of DTC to DHC. CLIHC owned 42% of DHC and subsequently diluted to 11% upon subscription of Udenna Communications Media and Entertainment Holdings Corp. (UCME) to additional Common shares in DHC, resulting to an indirect ownership of CLIHC in DTC of 6.6%. The sale was approved by CLIHC's Board of Directors on October 30, 2020.

[4] On March 18, 2021, CLIHC entered into a Share Purchase Agreement (SPA) with a third party for the sale of its investments in 2GO Group, Inc. In May and June 2021, the sale of investments was executed with total consideration of ₱7,460 million, in which the Group recognized a Gain on Sale of an Asset Held for Sale amounting to ₱154 million.

On August 19, 2021, The Supercat Fast Ferry Corp. (SFFC) sold MV Supercat 36 for a total consideration of ₱2.5 million, in which SFFC recognized a Loss on Sale amounting to ₱9.4 million.

[5] In 2021, CLIHC acquired the Redeemable Preferred Shares from a previous holder for a total consideration of ₱875 million and recognized a Gain on Redemption amounting to ₱356 million.

[6] The Goodwill from the acquisition of Bunkers Manila, Inc. (BMI) was determined to be unrecoverable and an Impairment Loss of ₱10 million was recognized in 2021.

[7] Gain was recognized relative to the termination of a Time Charter contract amounting to ₱313 million in 2021.

[8] In 2021, certain vessels and vessel equipment were sold to third parties for a total consideration of ₱358 million and a loss on sale amounting to ₱355 million was recognized. Also, a floating dock was sold in the same year for the amount of ₱232 million and a loss on sale amounting to P141 million was recognized. Total Loss on sale of vessels and equipment totaled ₱496 million during the year.

Consolidated Loss Before Tax was ₱3,971 million, a 37% increase year on year, which was a result of recognized gains in the divestment of shares and sale of an associate in 2020.

The Tax Income of ₱65 million in 2021 and Tax Expenses of ₱409 million includes deferred tax expense (income) relating to origination and reversal of temporary differences.

Adjusted EBITDA for the year was a negative ₱31 million compared to a positive ₱205 million in 2020, due to declined results of the Group.

Financial Condition
December 31, 2021 versus December 31, 2020

Amounts in millions Php	December 31				
	2021	% /Total	2020	% /Total	% Change
Current Assets	**11,038**	**32%**	4,988	13%	**121%**
Non-Current Assets	**23,084**	**68%**	32,366	87%	**-29%**
Total Assets	**34,122**	**100%**	37,355	100%	**-9%**
Current Liabilities	**16,135**	**47%**	16,761	45%	**-4%**
Non-Current Liabilities	**12,337**	**36%**	11,108	30%	**11%**
Total Liabilities	**28,472**	**83%**	27,869	75%	**2%**
Total Equity	**5,650**	**17%**	9,486	**25%**	**-40%**

Consolidated current assets increased 1.2 times from ₱4,988 million in December 2020 to ₱11,038 million in December 2021 caused by the growth in Advances to related parties account by ₱6,533 million. This is related to the sale proceeds from the disposal of the 2GO investment which were applied against certain loans of the parent company related to the investment. While Non-current assets was reduced to ₱23,084 million compared to ₱32,366 million in 2020. Certain vessels and equipment of the Group were sold during the year, and certain vessels were impaired resulting to the decrease in Property and equipment account.

Total Assets of the Group was ₱34,122 million in 2021 compared to ₱37,355 million in 2020 due to decline in non-current assets.

Consolidated Interest bearing loans of the Group was ₱18,079 million at the end of the current year, an increase of 6% versus ₱17,007 million in 2020 due to effect of loans restructuring and set up of lease obligation for the acquisition of MV TA 21 amounting ₱1,100 million.

Total Equity of the Group decreased to ₱5,650 million or by 40% as against last year of ₱9,486 million due to incurred losses amounting to ₱3,905 million in the current year.

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

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

The first 2 months of the year 2020 promised a record performance for the Group with operating units achieving their respective revenue targets. This performance was the result of all the various strategies and other business alignments implemented across the Group. However, in March the COVID-19 pandemic escalated rapidly, and the resulting impact on the operations and the measures taken by the government to contain the virus have negatively affected the Group's results in the operating period. Community quarantine imposed by the national government starting March 15, 2020 resulted to travel restrictions via land, sea and air transport. Although movement of essential goods were allowed, cargo volume dropped considerably in the first two and a half months of the Enhanced Community Quarantine (ECQ) period. The gradual lifting of restrictions resulted to slight improvement in the Group's operations which is still far from its pre-pandemic operating results.

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

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

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

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

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

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

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

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

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

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

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

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

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

- The Gain on Bargain Purchase of ₱1,185 million and Loss on Remeasurement of Investment of ₱333 million arose from the step-up acquisition of a subsidiary, KGLI-NM were recorded in 2020. The investment and corresponding goodwill were measured at fair value less cost to sell.
- Share in Net Loss of Associates booked in 2020 amounted to ₱1,046 million - Dito Holdings Corp. (DHC) of ₱149.4 million, 2GO of ₱205.8 million, and Dito Telecommunity Corp. (DTC) of ₱691 million. This is ₱563 million higher compared to ₱483 million share in net loss of associates recorded in 2019.
- On October 30, 2020, CLC's BOD approved the sale of its 40,833,332 common shares and 22,916,666 preferred shares of DTC to DHC which resulted to a Net Gain on Sale of an Associate of ₱984 million. CLC owned 42% of DHC, however subsequently diluted to 11% upon subscription of Udenna Communications Media and Entertainment Holdings Corp. (UCME) to additional common shares in DHC, resulting to an indirect ownership of CLC in DTC of 6.6%.
- Relative to restructured loans of the Group, ₱87 million loss on debt modification was recorded in 2020.
- Increase in Finance cost by ₱78 million or 6% to ₱1,302 million in the current period from ₱1,224 million in the prior period arising from additional funding obtained from banks to finance vessel acquisitions in 2020 and 2019.

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

Financial Condition
December 31, 2020 versus December 31, 2019

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

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

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

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

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

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

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

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

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

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

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

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

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

Revenues

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

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

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

Costs of Sales and Services

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

Operating Expenses

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

Other Income (Charges)

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

Net Losses and EBITDA

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

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

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

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

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

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

Trade and other receivables increased by 56% from ₱1,430 million as of December 31, 2018 to ₱2,226 million as of December 31, 2019 primarily due to timing of collections from customers.

Advances to related parties decreased significantly from ₱3,128 million as of December 31, 2018 to ₱814 million as of December 31, 2019 as a result of collections of advances to related parties for working capital requirements and other purposes. The remaining advances are expected to be settled in cash or through offsetting arrangements with the related parties.

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

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

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

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

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

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

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

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

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

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

Key Performance Indicators and Relevant Ratios

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

	Dec. 2021	Dec. 2020	Dec. 2019
Current ratio	**0.68**	0.30	0.28
Debt-to-equity ratio	**5.04**	2.94	2.29
Book value per share	**3.10**	5.21	6.84
EBITDA margin	**-0.69%**	4%	26%
Return on equity	**-69%**	-35%	-6.68%
Loss per share	**-2.143**	-1.82	-0.46

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 24.6 to the financial statements, the Company signed a shipbuilding agreement for the delivery of a bed/seat Ro-Ro type passenger ferry ship presently identified as Builder's No. F-1351 for delivery in June 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 declared the imposition of Enhanced Community Quarantine (ECQ) which restricted all land, air and sea transport to and from Luzon. 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 passage revenues and operating profits are usually experienced in the summer months of the year (March, April and May), school holidays (October and November) and Christmas holidays (December and January) rather than in the other months of the year. Freight revenues, on the other hand, are higher at the last quarter of the year rather than in the early months. This scenario, however did not hold true for 2020 because of the ECQ declared in the various cities and provinces where the Group operates, starting second half of March 2020.

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

II. NATURE AND SCOPE OF BUSINESS

Item 1. Historical Background

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

On November 24, 2016, the Company acquired all of the outstanding shares of Chelsea Shipping Corp. (CSC) from P-H-O-E-N-I-X Petroleum Philippines, Inc. (PPPI), a related party under common ownership, for a total consideration of P2.0 billion.

On December 12, 2016, the Company acquired 100% ownership interest in Trans-Asia Shipping Lines, Incorporated for a total consideration of P216.3 million.

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

On March 27, 2017, CLIHC acquired all of Udenna Investments BV's (UIBV's) outstanding capital stock through a share swap agreement with Udenna Corporation wherein Udenna Corporation transferred to CLIHC 18,200 UIBV shares. In exchange, CLIHC issued 775,384,615 new common shares from its authorized and unissued capital stock in favor of Udenna. UIBV owns 80% economic interest in KGLI-NM, a domestic corporation which was incorporated on August 8, 2008, and which holds 39.85% economic interest in Negros Navigation Co., Inc. (NENACO). KGLI-NM acquired such interests in NENACO on May 13, 2008. NENACO, in turn owns 88.31% of 2Go Group, Inc. (2Go). NENACO acquired its interests in 2Go on December 28, 2010. Hence, CLIHC has a 28.15% indirect economic interest in

2Go. NENACO and 2Go are the largest supply chain enterprise and end-to-end solutions provider in the Philippines.

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

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

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

Item 2. Business of Issuer

Description of Registrant

Principal Products and Services

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

Chelsea Shipping Corp.

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

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

a. PNX-Chelsea Shipping Corp. (PNX-Chelsea), incorporated on February 2, 2011, is engaged in operating vessels for domestic trade for conveyance or carriage of petroleum products, goods, wares, and merchandise of every kind and description, to charter in and charter out any such vessels and to provide complete maritime services.
b. Fortis Tugs Corporation (FTC), incorporated on April 8, 2013, is engaged in the towage and salvage of marine vessels and other crafts including cargoes upon seas, lakes, rivers, bays, harbors, and other waterways between the various ports of the Philippines. DGMSI, a wholly-owned subsidiary of FTC, operates, conducts, and provides tug and other marine services to all vessels, foreign or coastwise that dock and undock in the District Port of Davao and all other ports in the Philippines.
c. Michael Inc. (MI), incorporated on December 26, 1957, is engaged in the charter, hire or otherwise acquire LCTs, ships, barges, or vessels, together with equipment and furniture thereof.
d. Bunkers Manila Incorporated (BMI), incorporated on March 7, 2000, is engaged in operating inter-island vessels for domestic trade, to charter in and charter out any such vessels and to provide complete marine services, as principal or agent to ship owners, ship operators and managers, and to any person, association, firm or corporation engaged in domestic marine and maritime business.
e. Chelsea Ship Management & Marine Services Corp. (CSMMSC), incorporated on March 30, 2012, is engaged in ship management and is authorized to act as agent, broker, ship chandler or representative of foreign/ domestic shipping corporations and individuals for the purpose of managing, operating, supervising, administering and developing the operation of vessels belonging to or which are or may be leased or operated by said shipping corporations and individuals.

f. Chelsea Marine Manpower Resources, Inc. (CMMRI), incorporated on June 9, 2016, is engaged in providing full and partial crewing for domestic and foreign vessels, and is authorized to act as authorized representative and crew manager of shipping companies, and to provide allied maritime services for said vessels and companies.
g. Chelsea Dockyard Corp. (CDC), incorporated on January 8, 2018 and is engaged in the general business of building and repair of ships, boats and other kinds of vessels as well as in ship breaking activities.
h. CD Ship Management & Marine Services Corp. (CDSMMSC), incorporated on March 14, 2018 and is engaged to carry on the business of ship management and to act as agent, broker, ship chandler or representative of foreign/domestic shipping corporations and individuals for the purpose of managing, operating, supervising, administering and developing the operation of vessels belonging to or which are or may be leased or operated by said shipping corporations and individuals and for such purpose, to act as principal in and hire the services of a local manning agent for the overseas employment for seamen, and to equip any and all kinds of ships, barges and vessels of every class and description owned by any shipping corporation.

Trans-Asia Shipping Lines, Incorporated

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

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

a. Ocean Star Shipping Corporation (OSSC), incorporated on July 6, 2006, is engaged in the hire, charter, purchase or otherwise acquires vessels, barges, tugboats, lighters or other vessels of any class or regular services of vessels, barges, tugboats, lighters, or other vessels to enter into contract for the carriage and shipment in bulk or otherwise, and to conduct the business of general lighterage, towing ship chandlering, shipbrokers, freight contractors, barge and lighter owners and operators, forwarding agents, and general cargo handling operations of any all kinds of cargo.
b. Starsy Shoppe, Inc. (SSI), incorporated on March 31, 2005, is engaged in engaged in the purchase of all kinds of food and beverage products and merchandise, except rice and corn, locally and/or through importation for purposes of selling the same on retail or wholesale, either local and/or through importation.
c. Dynamic Cuisine Inc. (DCI), incorporated on June 21, 2000, is engaged in maintaining restaurants, coffee shops, refreshment parlors, cocktail lounges, and cooks, arranges, serves and caters goods, drinks, refreshments and other food or commodities commonly served in such establishments.
d. Quality Metal & Shipworks, Inc. (QMSI), incorporated on November 28, 2007, is engaged in providing machining and mechanical works on ship machineries and industrial plants.
e. Star Maritima Port and Allied Services, Inc. (SMPASI), incorporated on October 11, 2018, is engaged primarily in providing arrastre services.
f. Big Hub Transport and Logistics Corp. (Big Hub), incorporated on November 14, 2018 engaged in the business of transporting by land persons and/or their baggage, 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.

TASLI Services Incorporated

TASLI Services Incorporated was incorporated on September 10, 2019 and is engaged in the business of shipping agency and maritime operations and services. TASLI Services handles the operations of cargo vessels which operate from Manila with routes to Cebu and Davao and back.

Worklink Services, Inc.

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

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

Starlite Ferries, Inc.

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

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

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

The Supercat Fast Ferry Corporation

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

<u>Revenue Contribution</u>

The following table represents the revenue distribution based on key business segments of the Company:

Services	Description of Services	Contribution to Sales
Freight	This pertains to revenues generated from transporting cargo from loading port to discharge port.	61%

Services	Description of Services	Contribution to Sales
Tankering	This consists mainly of charter income arising from the charter hire of its tankers and is recognized based on the type of charter agreement entered into, either under a time charter (TC), a continuing voyage charter (CVC), or bareboat agreement (BB). Charter fees also include standby charges, which represent fees charged upon failure of customer to utilize/dispatch the tanker within the allotted lay-time initially agreed upon with the customer. This is commonly referred to as demurrage.	12%
Passage	This pertains to revenues generated from ferrying passengers from the point of embarkation to the point of disembarkation.	7%
Tugboat	These are fees arising from docking, undocking, shifting, towing, ferry services, tugboat usage and delivery services to marine vessels and other crafts.	7%
Logistics Services	This pertains to revenues generated from logistics, distribution and warehousing services.	12%

Competition

A. Freight

The Company's Freight business is supported by its subsidiaries operating nationwide: Chelsea Shipping, Trans-Asia Shipping Lines and Starlite Ferries handle shipping of cargoes, while Worklink Services provides end-to-end logistics solutions through its 77 delivery trucks and 11,294 sq.m. of warehousing capacity.

The top 5 major competition in the Freight sector are:

1. Solid Shipping Lines
2. Philippine Span Asia Carrier Corp.
3. Lorenzo Shipping Corp.
4. Gothong Southern Shipping Lines
5. Oceanic Container Lines Inc.

B. Tankers

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

As of September 2017, the Maritime Industry Authority (MARINA) registered approximately 293 oil tankers in the country. Majority of these vessels are 500 gross registered tonnage (GRT) or below, and the rest ranges from 501 GRT to 5052 GRT in size. The aggregate tonnage of these tankers is about 190,876 GRT.

Below are the five (5) major competitors of CLIHC in terms on the tanker business, these companies have a fleet of four (4) or more vessels.

1. Petrolift Group
2. Herma Shipping Group
3. Shogun Ships Co., Inc.
4. Via Marine
5. Magsaysay Shipping and Logistics Group

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

C. Tugboats

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

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

CLIHC competitors in providing tugboat services include:
1. Harbor Star Shipping Services, Inc.
2. Malayan Towage and Salvage Corporation
3. Pilot-operated Tugs

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

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

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

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

Suppliers

The Company sources its vessel, fuel requirements and other supply domestically and internationally. The Company sources approximately 90% of its fuel requirements from Phoenix Petroleum Philippines, Inc.

The payment forms vary for each supplier. It ranges from Letter of Credit, drawn against payment, down payment, and various credit terms offered by supplier.

Transactions with and/or Dependence on Related Parties

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

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

Currently, the Company sources approximately 90% of its fuel requirements from its affiliate – Phoenix Petroleum Philippines, Inc.

Employees

As of December 31, 2021, the Company has a total of 2,041 employees, 950 of which are crewmen and are stationed at various ports of operation, while the other 1,091 employees are office personnel or are members of support services.

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

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

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

Risks Relating to the Company

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

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

Due to the nature of the shipping industry, the risk of collision is real. Collisions may result in extensive damage to a vessel's hull, increasing its susceptibility to taking on water, which may result in the integrity of the vessel being compromised or even result in a complete loss of the vessel, environmental pollution, loss of life and damage to properties. Furthermore, when vessels are docked, they are secured to the harbor by use of the anchor, and a rope tied between the ship's stern and the berth. In times of strong winds and constant rain, these harnesses may break, thereby risking the safety of the ship.

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

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

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

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

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

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

- *The shipping industry is highly competitive.*

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

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

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

- *Changes in legal and regulatory environment.*

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

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

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

Effects of Existing or Probable Governmental Regulations on the Business

The Company believes that it complies with relevant laws, rules and regulations for all the business activities that it is currently engaged in. The Company cannot provide assurance that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner that could limit or curtail further expansion or development.

Additionally, new rules and regulations that may be enacted may increase the Company's operating costs and may adversely affect the Company's results of operations and financial condition.

Costs and Effect of Compliance with Environmental Laws

The Company incurred ₱8,537,598.90 and ₱7,159,603.72 for 2021 and 2020, respectively for costs relating to compliance with environmental laws as required by the MARINA. This pertains to daily waste management expenses.

Item 3. Properties

The Group owns various tankers, barges, RoPax, cargo vessels and tugs which are utilized in its business. The following table sets forth information on these vessels that each company owns as of December 31, 2021.

Name of Vessel	Registered Owner	Year Built	Type
1. M/T Chelsea Providence	CSC	2013	Medium Range Tanker
2. M/T Chelsea Great Diamond*	CSC	2012	Oil/Chemical Tanker
3. M/T Chelsea Cherylyn	CSC	2009	White Oil, Carrier, Tanker
4. M/T Chelsea Denise	CSC	1985	Black / White Oil Carrier, Tanker
5. M/T Chelsea Resolute****	CSC	1979	White Oil, Carrier, Tanker
6. M/T Chelsea Enterprise	CSC	1985	Black Oil Tanker
7. M/T Chelsea Excellence	CSC	1998	White Oil, Carrier, Tanker
8. M/T Chelsea Intrepid	CSC	1994	Black Oil Tanker
9. M/T Chelsea Denise II	PNX – CSC	2012	Black / White Oil Carrier, Tanker
10. M/T Chelsea Dominance	PNX – CSC	2016	Product Oil Tanker
11. M/T Chelsea Great Princess	PNX – CSC	2013	Oil/Chemical Tanker
12. M/T Chelsea Endurance	PNX – CSC	2006	Product Oil Tanker
13. M/T Chelsea Charlize	PNX – CSC	2015	Product Oil Tanker
14. MV San Pedro Calungsod****	PNC – CSC	1996	Cargo Container
15. MV San Lorenzo Ruiz Uno****	PNX – CSC	1996	Cargo Container
16. MV St. Nicholas of Myra****	PNX – CSC	1998	General Cargo
17. M/T Ernesto Uno****	MI	1979	White Oil, Carrier, Tanker
18. M/T Jasaan	MI	1990	Black Oil Carrier, Tanker
19. M/T BMI Patricia*****	BMI	1981	Black Oil Carrier, Tanker
20. Chelsea Agility*	CSC	2007	Floating Dock
21. MV Trans Asia 1	Trans Asia	1980	Passenger Ship
22. MV Trans Asia 2	Trans Asia	1977	Passenger Ship
23. MV Trans Asia 3	Trans Asia	1989	Passenger Ship
24. MV Trans Asia 8	Oceanstar	1984	Passenger Ship
25. MV Trans Asia 10	Trans Asia	1979	Passenger Ship
26. MV Asia Philippines****	Trans Asia	1975	Passenger Ship
27. MV Trans-Asia 18	Trans-Asia	1998	Passenger Ship
28. MV Trans-Asia 19	Trans-Asia	2018	Passenger Ship
29. MV Trans Asia 5*	Trans Asia	1989	Container Cargo Ship
30. MV Trans Asia 12	Trans Asia	1998	Container Cargo Ship
31. MV Trans Asia 15	Trans Asia	1995	Container Cargo Ship
32. MV Trans-Asia 16****	Trans-Asia	1996	Container Cargo Ship
33. MV Trans-Asia 17****	Trans-Asia	1999	Container Cargo Ship
34. MV Asia Pacific	Trans Asia	1981	General Cargo Ship

35. MV LCT Lapu-lapu Uno*	Trans-Asia	2014	General Cargo Ship
36. M/Tugs Fortis I****	FTC	1994	Tugboat
Name of Vessel	**Registered Owner**	**Year Built**	**Type**
37. M/Tugs Fortis II	FTC	1990	Tugboat
38. M/Tug Fortis III	FTC	1972	Tugboat
39. M/Tug Fortis V	FTC	1984	Tugboat
40. M/Tug Fortis VI	FTC	1989	Tugboat
41. M/Tug Fortis VII	FTC	1984	Tugboat
42. M/Tug Fortis VIII	FTC	1984	Tugboat
43. M/Tug Fortis IX****	FTC	2009	Tugboat
44. M/Tug Fortis X	FTC	1988	Tugboat
45. M/Tug Fortis XI****	FTC	1988	Tugboat
46. M/Tug Fortis XII	FTC	1988	Tugboat
47. M/Tug Fortis XV	FTC	1987	Tugboat
48. M/Tug Samal	DGMS	1974	Tugboat
49. M/Tug Pindasan	DGMS	1981	Tugboat
50. M/Tug Sigaboy	DGMS	1971	Tugboat
51. M/Tug Orishima	FTC	1988	Oil Pollution Tugboat
52. MV Starlite Pacific	SFI	1983	Passenger and Cargo Ship
53. MV Starlite Annapolis****	SFI	1982	Passenger and Cargo Ship
54. MV Starlite Jupiter	SFI	1989	Passenger and Cargo Ship
55. MV Starlite Pioneer	SFI	2015	Passenger and Cargo Ship
56. MV Starlite Tamaraw	SFI	1981	Cargo Ship
57. MV Starlite Eagle	SFI	2016	Passenger and Cargo Ship
58. MV Starlite Reliance	SFI	2015	Passenger and Cargo Ship
59. MV Starlite Saturn	SFI	2016	Passenger and Cargo Ship
60. MV Starlite Archer	SFI	2017	Passenger and Cargo Ship
61. MV Starlite Venus	SFI	2021	Passenger and Cargo Ship
62. Sprint 1	SFI	2019	Fastcraft
63. SWM Salve Regina	SGFI	2018	Passenger and Cargo Ship
64. MV Stella Maris	SGFI	2019	Passenger and Cargo Ship
65. MV Trans-Asia 20 (Starlite Phoenix)	SGFI	2019	Passenger and Cargo Ship
66. Stella del Mar	SPFI	2018	Passenger and Cargo Ship
67. St. Uriel	Supercat	1992	Passenger Ship
68. St. Sealthiel	Supercat	2000	Passenger Ship
69. St. Jhudiel	Supercat	1996	Passenger Ship
70. St. Braquel	Supercat	1996	Passenger Ship
71. St. Emmanuel	Supercat	1998	Passenger Ship
72. St. Camael	Supercat	2017	Passenger Ship
73. St. Sariel	Supercat	2017	Passenger Ship
74. Supercat 36*	Supercat	1990	Passenger Ship
75. St. Micah****	Supercat	1990	Passenger Ship

* Sold in 2021

*** Held for sale

**** On Drydock as of end December 31, 2021

***** for conversion to Water barge

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

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

In May 2018, the Company purchased a parcel of land at Ligid Tipas, Taguig City with an area of 25,335 sq.m. which will be the site of a warehouse facility being constructed by its subsidiary Worklink Services, Inc. Some of the vessels and real estate properties owned by CLIHC and its Subsidiaries are used to secure long-term loans. The details of these loans are as follows:

Secured Term Loans

	Notes	Security	Terms	Interest Rates	Outstanding Balance 2021	Outstanding Balance 2020
China Banking Corporation (CBC)	(b.1)	Continuing Suretyship/ MT Chelsea Great Princess/ MT Chelsea Charlize/ MT Chelsea Resolute/ MT Chelsea Enterprise/ MT Chelsea Excellence/ MT Chelsea Ernesto Uno/ MT Chelsea Jessen	7 years	6.75%	₱ 1,926,996,728	₱ 1,926,996,728
Development Bank of the Philippines (DBP)	(f.4)	MT Chelsea Providence/MV Stella Maris	15 years	6.50%	1,621,008,776	1,446,428,571
Philippine Business Bank (PBB)	(c.2)	MV Eagle, MV Archer, MV Saturn	10 years	7.50%	813,238,917	813,238,917
CBC	(b.3)	Real Estate Mortgage	15 years	7.22%	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 Ruiz Uno MV St. Nicholas of Myra	15 years	6.50%	496,803,412	526,329,569
DBP	(f.5)	MV Pioneer, MV Reliance	15 years	5.85%	489,593,817	521,280,000
PBB	(c.4)	MV Salve Regina	15 years	7.50%	400,000,000	400,000,000
BDO Unibank, Inc. (BDO)	(a.2)	Trans-Asia 1 and 10	10 years	4.25% - 5.08%	338,707,130	360,323,661
PBB	(c.3)	MV Stella Del Mar	15 years	7.50%	309,222,352	309,222,352
DBP	(f.5)	MV St. Camael and MV St. Sariel	15 years	6.50%	300,238,829	322,237,037
Mega International Commercial Bank Co. (MICBC)	(e)	Continuing Suretyship	5 years	4.09%	247,500,000	247,500,000
Robinsons Bank Corporation (RBC)	(e)	Continuing Suretyship	5 years	4.07%	247,500,000	247,500,000
CTBC Bank (Phil) Inc. (CTBC)	(e)	Continuing Suretyship	5 years	4.09%	247,500,000	247,500,000
PBB	(c.1)	MT Chelsea Dominance	7 years	6.08%	227,048,850	227,048,850
PBB	(c.1)	MT Chelsea Endurance	7 years	6.06%	192,578,750	192,578,750
PBB	(c.5)	Pledge of shares of stocks	3 years	10.00%	177,709,000	–
First Commercial Bank, Ltd. (FCB)	(e)	Continuing Suretyship	5 years	6.33%	165,000,000	165,000,000
CBC	(b.2)	Trans-Asia 15	10 years	7.00%	162,407,407	220,703,704
Rizal Commercial Banking Corp.	(g)	Starlite Spirit I	7 years	9.50%	110,776,039	111,507,790
BH Capital Asia Growth Fund	(h)	Unsecured	5 years	9.00%	101,548,000	–
BDO	(a.1)	MT Chelsea Denise II	2 years	5.50%	90,942,500	90,842,500
Pioneer Insurance & Surety Corporation	(i)	MV St. Uriel and MV St. Sealtiel	2 years	8.00%	48,524,366	–
Asia United Bank (AUB)	(d)	MTug Fortis VI, MTug Fortis VII and MTug Fortis VIII	7 years	5.50%	41,693,344	52,116,536
AUB	(d)	MTug Fortis IX and MTug Fortis X	7 years	7.07%	38,007,410	44,928,852
AUB	(d)	MTug Fortis III and MTug Fortis V	7 years	5.50%	30,112,256	35,722,082
					10,450,309,852	9,943,498,370
Discount on loans payable					53,194,492	45,425,045
					₱ 10,503,504,344	₱ 9,988,923,415

Secured Bank Loans

	Security	Terms	Interest Rates	Outstanding Balance 2021	2020
Primary Institutional Lenders	Unsecured	30 to 180 days	4.25% to 7.50%	P 1,450,531,880	P 1,445,076,437
UCPB	MT Chelsea Intrepid				
	MT BMI Patricia	90 days	5.00% to 5.75%	862,325,000	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	Unsecured	90 days	9.00%	500,000,000	500,000,000
Union Bank of the Philippines	Unsecured	360 days	4.50%	200,000,000	200,000,000
Pentacapital	Unsecured	360 days	6.00%	196,691,072	200,000,000
BDO Unibank Inc	Trans-Asia 1	180 days	6.50%	47,500,000	48,500,000
Robinsons Bank Corporation	MT Chelsea Denise	180 days	5.50%	23,825,323	76,125,000
AUB	Unsecured	30 days	8.00%	20,324,093	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
				P 4,476,197,368	P 4,868,416,676

Item 4. Legal Proceedings

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

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

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

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

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

Michael, Inc. filed its Formal Offer of Exhibits on March 16, 2000. Awaiting notice of next hearing date for presentation of evidence of Pilipinas Kao.

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

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

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

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

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

On April 18, 2013, the Regional Trial Court issued its Decision ordering Trans-Asia Shipping to pay ₱801,000.00 for 4 deaths and ₱585,000.00 for 13 survivors or a total of ₱1,386,000.00. Although Trans-Asia Shipping offered to pay in accordance with the Decision, not a single plaintiff accepted payment. Instead, some of the plaintiffs filed their Motion for New Trial, some filed Motion of Reconsideration of the Decision, and some filed their Notice of Appeal. The trial court issued an Order granting new trial for two plaintiffs and set the hearing for reception of evidence for said plaintiffs. The trial court also issued its Order dated March 22, 2016 modifying the award of damages to ₱8,865,399.96 for four deaths and 11 survivors, plus 15% interest on the total monetary award. Trans-Asia Shipping filed its Motion for Reconsideration of the two Orders, which was denied by the trial court. Trans-Asia Shipping has filed its Notice of Appeal. At the May 17, 2017 hearing, plaintiff manifested that they are willing to study the settlement of the case.

In August 2017, the parties signed a Compromise Agreement whereby Trans-Asia Shipping paid the total amount of ₱8,839,313.95 for thirteen 13 Complainants (4 Deaths and 9 Survivors). In October 2017, another three (3) plaintiffs signed a Compromise Agreement whereby Trans-Asia Shipping paid the total amount of ₱594,250.00. On October 6, 2017, the trial court issued its Orders approving the two Compromise Agreement and declaring the case as CLOSED AND TERMINATED insofar as the 16 Complainants are concerned.

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

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

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

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

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

This Complaint was filed by Trans-Asia in September 2012 to collect the insurance proceeds arising from the sinking of MV Asia Malaysia, which proceeds are in the approximate amount of ₱120,000,000. Said Complaint was filed when defendant Philippine Fire only offered to pay the amount of ₱50,000,000. Defendant Philippine Fire filed its Motion to Dismiss the complaint on the ground of lack of jurisdiction and insufficient docket fees paid. When said Motion to Dismiss was denied, defendant Philippine Fire filed a Petition for Certiorari with the Court of Appeals in December 2014. Said Petition for Certiorari was dismissed by the Court of Appeals on June 28, 2016. On March 30, 2017, the regional trial court issued an Order setting the case for pre-trial on June 9, 2017. At the 9 June hearing, the case was remanded to the Executive Judge for transfer to Branch 11, which is the only commercial court in Cebu City. At Branch 11, Philippine Fire filed a Motion to Suspend Proceedings attaching the Notice of Stay Order issued by the Insurance Commission. Trans-Asia filed its Opposition to Philippine Fire's Motion to Suspend Proceedings. This matter is now pending resolution by the trial court.

Item 5. Submission of Matters to a Vote of Security Holders

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

III. MARKET PRICE OF AND DIVIDENDS ON THE REGISTRANT'S COMMON EQUITY

Item 1. Principal market where the registrant's common equity is traded

The Company's common shares are traded at the Philippine Stock Exchange ("PSE") beginning August 8, 2017. The high and low sale prices of each quarterly period for year 2021 are as follows:

	2021		2020		2019		2018	
Period	**High**	**Low**	**High**	**Low**	**High**	**Low**	**High**	**Low**
1Q	3.28	3.17	5.89	1.91	7.20	5.59	9.79	7.00
2Q	3.14	3.08	4.29	2.49	8.74	5.08	8.56	6.45
3Q	2.22	2.13	4.65	4.01	9.36	6.22	7.76	5.43
4Q	1.67	1.60	5.39	5.10	7.18	4.73	9.77	4.40

As of March 30, 2022, the market capitalization of the Company, based on the closing price of ₱1.60 per share, was approximately ₱2.915 billion.

Item 2. Holders

The following are the top registered holders of the Company's securities based on the records as of December 31, 2021:

Name of Stockholders	Number of shares held	% to Total
Udenna Corporation	1,275,384,606	70.000
PCD Nominee Corporation (Filipino)	527,946,892	28.977
PCD Nominee Corporation (Non-Filipino)	16,393,000	0.900
Caroline G. Taojo	800,000	0.044
Eggnest Property Corp.	770,000	0.042
Noe B. Taojo	400,000	0.022
Clive C. Kian	50,000	0.003
Rudy B. Manguiat or Mary Aileen C. Manguiat	50,000	0.003
Goldclass, Inc.	35,000	0.002
Jharna P. Chandnani	30,000	0.002
Elvira M. Cruz or Bernardo A. Cruz	25,000	0.001
Ponciano V. Cruz, Jr.	18,000	0.001
Christopher Vincent J. Kokseng or Mery Jean G. Kokseng	15,000	0.001
Myra P. Villanueva	10,800	0.001
Miguelito C. De Guia &/04 Milagros D. De Guia	10,000	0.001
Carlos Catangue Chua	9,300	0.001
Rijohn R. Opon	9,300	0.001
Milagros P. Villanueva	7,300	0.000
Myrna P. Villanueva	7,300	0.000
Marietta V. Cabreza	5,000	0.000
Percival Cirilo Samodio Flores	1,000	0.000
Alexander S. Timbol	100	0.000
Owen Nathaniel S. Au ITF: Li Marcos Au	10	0.000
Eduardo A. Bangayan	1	0.000
Miguel Rene A. Dominguez	1	0.000
Jesus S. Guevara II	1	0.000
Gener T. Mendoza	1	0.000
Arthur Kenneth L. Sy	1	0.000
Cherylyn C. Uy	1	0.000
Efren E. Uy	1	0.000
TOTAL	**1,821,977,615**	**100.000%**

Item 3. Dividends

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

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

The Company did not declare dividends for the years ended December 31, 2021, 2020, 2019 and 2018.

Item 4. Recent sale of securities

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

On July 10, 2020, the Company executed a Preferred Shares Subscription Agreement with Global Kingdom Investments Limited for 500,000 Preferred Shares at P 1,000 per share payable in 3 tranches. . The Company has received from Global Kingdom the total amount of Four Hundred Fourteen Million Eight Hundred Thousand Pesos (₱414,800,000) as of December 31, 2021.

The Company's application for Amendment of its Articles of Incorporation changing the features of its Preferred Shares from Non-Convertible to Convertible, is pending with the Securities and Exchange Commission.

Item 5. Corporate Governance

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

The Manual features the following provisions:

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

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

ANNEX E

CHELSEA LOGISTICS AND INFRASTRUCTURE HOLDINGS CORP. AND SUBSIDIARIES
(Formerly Chelsea Logistics Holdings Corp.)
(A Subsidiary of Udenna Corporation)
INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES
DECEMBER 31, 2021

Financial Statements

Supplementary Schedules

CHELSEA
A UDENNA Company

Together, we serve you better.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR CONSOLIDATED FINANCIAL STATEMENTS

The management of Chelsea Logistics and Infrastructure Holdings Corp and its subsidiaries (the Group) is responsible for the preparation and fair presentation of the consolidated financial statements, including the schedules attached therein, for the years ended December 31, 2021, 2020 and 2019 in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

CHERYLYN C. UY
Treasurer
TIN 209-221-478

MAR 2 0 2022

SUBSCRIBED AND SWORN to before me this ____ day of ________ 2022 at Taguig City, affiants exhibited to me their respective TIN.

Doc. No. 249
Page No. 51
Book No. 39
Series of 2022

ATTY. [illegible] M. MONFORT

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Stella Hizon Reyes Road Bo. Pampanga, Davao City 8000
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Tel. +63.2.403.4015

P&A
Grant Thornton

FOR SEC FILING

Consolidated Financial Statements and Independent Auditors' Report

Chelsea Logistics and Infrastructure Holdings Corp. and Subsidiaries

December 31, 2021, 2020 and 2019

Punongbayan & Araullo
20th Floor, Tower 1
The Enterprise Center
6766 Ayala Avenue
1200 Makati City
Philippines

T +63 2 8988 2288

Report of Independent Auditors

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

Opinion

We have audited the consolidated financial statements of Chelsea Logistics and Infrastructure Holdings Corp. and Subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2021 and 2020, and the consolidated statements of profit or loss, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2021, and notes to consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2021 and 2020, and its consolidated financial performance and their consolidated cash flows for each of the three years in the period ended December 31, 2021 in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

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

Emphasis of Matter

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

Key Audit Matters

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

(a) Revenue Recognition

Description of the Matter

The Group's revenues, which is comprised significantly of freight revenues, charter fees, passage fees, rendering of services and tugboat fees, amounted to P4.5 billion for the year ended December 31, 2021.

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

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

How the Matter was Addressed in the Audit

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

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

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

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

- Testing charter agreements, billing invoices, vessel fixture notes, bills of lading and other related supporting documents, on a sample basis, of revenue transactions throughout the current period to determine whether revenue recognition is properly recognized at the time the Group satisfies its performance obligations;

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

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

(b) Impairment of Goodwill

Description of the Matter

As of December 31, 2021, the Group's goodwill amounted to P1.8 billion. Under Philippine Accounting Standard (PAS) 36, *Impairment of Assets*, the Group is required to annually test the amount of its goodwill for impairment. We considered the impairment of goodwill as a key audit matter because the amount of goodwill is material to the consolidated financial statements. In addition, management's assessment process involves judgements, and significant assumptions about the future results of the business, and the discount rate and cash flow projections used in determining the cash-generating units over which the goodwill was allocated. The assumptions used by management are generally affected by expected future market and economic conditions.

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

How the Matter was Addressed in the Audit

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

- Evaluating the reasonableness of the assumptions and methodology used by the management in determining the cash-generating units attributable to the goodwill, which include the discount rates, growth rates and cash flow projections, by comparing them to external and historical data, with assistance from our Firm's valuation specialists; and,

- Evaluating the adequacy of the financial statement disclosures, including disclosures of key assumptions and judgements.

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

Description of the Matter

The carrying amount of the Group's vessels and vessel equipment reported under the Property and Equipment account amounted to P15.0 billion, representing 44% of the total assets of the Group. As allowed under PAS 16, *Property, Plant and Equipment*, the Group measures its vessels and vessel equipment based on a revalued amount, which represent fair market values at the date of the revaluation. Management determined the fair value based on the valuation made by independent appraisers and by management, for certain vessels, every after drydocking of vessels, which is performed once every two years.

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

The methods and assumptions used in determining the fair value of vessels are more fully described in Notes 3 and 29 to the consolidated financial statements, while the revalued amount of vessels and vessel equipment as at December 31, 2021 is disclosed in Note 9.

How the Matter was Addressed in the Audit

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

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

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

- Assessing the appropriateness and reasonableness of bases used in the valuation such as the vessel's certificates, operating condition of the vessel equipment, main engine, and other auxiliary machineries and equipment, with assistance from our Firm's valuation specialists; and,

- Evaluating the adequacy of the financial statement disclosures, including disclosures of key assumptions and judgements.

(d) Going Concern Assessment

Description of the Matter

The COVID-19 pandemic continuously disrupted the business operations of the Group in 2021, resulting in significant impact in the Group's financial performance and cash flows. The Group incurred a net loss of P3.9 billion for the year ended December 31, 2021 and had a deficit of P7.1 billion as of December 31, 2021.

We considered going concern assessment as a key audit matter because of the continuing impact of the COVID-19 pandemic to the Group's current operations, and the uncertainty the pandemic brought to the future business operations and prospects of the Group. Relative to this, the management's assessment in determining whether a material uncertainty exists on the Group's ability to continue as a going concern entity involves complex judgement and high degree of estimation uncertainty. The management's assessment includes, among others, financial forecast and cash flow projections to determine the Group's ability to operate profitably in the subsequent reporting periods and generate sufficient cash flows to service debts and fund its operations.

Taking into account the sensitivity analyses performed by the management, the Group has concluded that there are no material uncertainties around the going concern assumptions. The disclosures on the going concern assessment are included in Note 1 to the consolidated financial statements.

How the Matter was Addressed in the Audit

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

- Evaluating the appropriateness and sufficiency of management's going concern assessment, taking into consideration the current business environment and the Group's recovery and response plans;

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

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

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

Other Information

Management is responsible for the other information. The other information comprises the information included in the Group's Securities and Exchange Commission Form 17-A, which we obtained prior to the date of the auditors' report, and the Group's SEC Form 20-IS (Definitive Information Statement) and Annual Report, which are expected to be made available to us after that date, for the year ended December 31, 2021, but does not include the consolidated financial statements and our auditors' report thereon.

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

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

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

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

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

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

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

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

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

PUNONGBAYAN & ARAULLO

By: Ramilito L. Nañola
Partner

CPA Reg. No. 0090741
TIN 109-228-427
PTR No. 8852340, January 3, 2022, Makati City
SEC Group A Accreditation
Partner - No. 0395-AR-4 (until Sept. 16, 2022)
Firm - No. 0002 (until Dec. 31, 2024)
BIR AN 08-002511-19-2020 (until Dec. 21, 2023)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

March 29, 2022

CHELSEA LOGISTICS AND INFRASTRUCTURE HOLDINGS CORP. AND SUBSIDIARIES
(Formerly Chelsea Logistics Holdings Corp.)
(A Subsidiary of Udenna Corporation)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2021 AND 2020
(Amounts in Philippine Pesos)

		2021	2020
A S S E T S			
CURRENT ASSETS			
Cash and cash equivalents	4	**P 269,690,887**	P 139,206,973
Trade and other receivables - net	5	**1,055,240,918**	1,586,182,618
Inventories	6	**497,453,817**	612,621,321
Advances to related parties	21	**7,794,510,442**	1,400,594,810
Other current assets	7	**1,421,224,113**	1,249,848,938
Total Current Assets		**11,038,120,177**	4,988,454,660
NON-CURRENT ASSETS			
Investment properties	8	**1,432,307,437**	-
Property and equipment - net	9	**19,033,334,369**	21,503,706,760
Investments in an associate and a joint venture	10	**81,001,440**	973,227,383
Goodwill	25	**1,838,002,446**	1,848,378,146
Post-employment benefit asset	18	**1,800,436**	5,955,204
Deferred tax assets - net	20	**130,507,493**	154,253,854
Other non-current assets - net	12	**567,393,967**	477,459,596
Total Non-current Assets		**23,084,347,588**	24,962,980,943
NON-CURRENT ASSETS HELD FOR SALE	11, 25	**-**	7,403,196,771
TOTAL ASSETS		**P 34,122,467,765**	P 37,354,632,374

	Notes	2021	2020
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Trade and other payables	14	**P 9,348,529,006**	P 8,427,435,314
Interest-bearing loans and borrowings	13	**6,045,249,030**	6,444,663,379
Redeemable preference shares	15	**-**	1,230,436,441
Advances from related parties	21	**624,023,838**	587,784,015
Advances from customers	2	**115,768,247**	63,121,704
Income tax payable		**1,563,179**	7,373,172
Total Current Liabilities		**16,135,133,300**	16,760,814,025
NON-CURRENT LIABILITIES			
Interest-bearing loans and borrowings	13	**12,034,180,267**	10,562,307,847
Post-employment benefit obligation	18	**80,016,237**	113,786,341
Deferred tax liabilities - net	20	**218,943,926**	356,683,800
Other non-current liabilities		**3,935,500**	75,233,944
Total Non-current Liabilities		**12,337,075,930**	11,108,011,932
Total Liabilities		**28,472,209,230**	27,868,825,957
EQUITY			
Equity attributable to shareholders of the Parent company	22		
Capital stock		**1,821,977,615**	1,821,977,615
Deposits on future stock subscriptions		**720,425,000**	662,596,200
Additional paid-in capital		**9,998,370,157**	9,998,370,157
Share options outstanding		**22,812,287**	16,869,063
Revaluation reserves		**1,050,911,063**	1,201,437,920
Other reserves		**(1,058,033,280)**	(1,058,033,280)
Deficit		**(7,086,204,307)**	(3,367,774,527)
		5,470,258,535	9,275,443,148
Non-controlling interest	22	**180,000,000**	210,363,269
Total Equity		**5,650,258,535**	9,485,806,417
TOTAL LIABILITIES AND EQUITY		**P 34,122,467,765**	P 37,354,632,374

See Notes to Consolidated Financial Statements.

CHELSEA LOGISTICS AND INFRASTRUCTURE HOLDINGS CORP. AND SUBSIDIARIES
(Formerly Chelsea Logistics Holdings Corp.)
(A Subsidiary of Udenna Corporation)
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 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	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	-	57,828,800	-	-	-	-	-	57,828,800	-	57,828,800
Acquisition of shares from minority	22	-	-	-	-	-	-	30,363,269	30,363,269	(30,363,269)	-
Total comprehensive loss for the year											
Net loss		-	-	-	-	-	-	(3,905,266,957)	(3,905,266,957)	-	(3,905,266,957)
Other comprehensive loss		-	-	-	-	5,947,051	-	-	5,947,051	-	5,947,051
Share based compensation	22	-	-	-	5,943,224	-	-	-	5,943,224	-	5,943,224
Transfer of revaluation reserves through depreciation, net of tax	22	-	-	-	-	(156,473,908)	-	156,473,908	-	-	-
Balance at December 31, 2021	22	**P 1,821,977,615**	**P 720,425,000**	**P 9,998,370,157**	**P 22,812,287**	**P 1,050,911,063**	**(P 1,058,033,280)**	**(P 7,086,204,307)**	**P 5,470,258,535**	**P 180,000,000**	**P 5,650,258,535**
Balance at January 1, 2020		P 1,821,977,615	P -	P 9,998,370,157	P -	P 1,777,036,051	(P 1,058,033,280)	(P 265,805,155)	P 12,273,545,388	P 180,000,000	P 12,453,545,388
Additions during the year	22	-	662,596,200	-	-	-	-	-	662,596,200	30,363,269	692,959,469
Total comprehensive loss for the year											
Net loss		-	-	-	-	-	-	(3,310,949,604)	(3,310,949,604)	-	(3,310,949,604)
Other comprehensive income		-	-	-	-	(366,617,899)	-	-	(366,617,899)	-	(366,617,899)
Share based compensation	10	-	-	-	16,869,063	-	-	-	16,869,063	-	16,869,063
Transfer of revaluation reserves from share in OCI of an associate		-	-	-	-	(81,571,397)	-	81,571,397	-	-	-
Transfer of revaluation reserves through depreciation, net of tax	22	-	-	-	-	(127,408,835)	-	127,408,835	-	-	-
Balance at December 31, 2020	22	P 1,821,977,615	P 662,596,200	P 9,998,370,157	P 16,869,063	P 1,201,437,920	(P 1,058,033,280)	(P 3,367,774,527)	P 9,275,443,148	P 210,363,269	P 9,485,806,417
Balance at January 1, 2019		P 1,821,977,615	P -	P 9,998,370,157	P -	P 1,497,869,655	(P 1,058,033,280)	P 468,579,210	P 12,728,763,357	P 180,000,000	P 12,908,763,357
Total comprehensive loss for the year											
Net loss		-	-	-	-	-	-	(831,761,000)	(831,761,000)	-	(831,761,000)
Other comprehensive income		-	-	-	-	436,808,826	-	-	436,808,826	-	436,808,826
Share in stock issuance costs of an associate	10	-	-	-	-	-	-	(60,265,795)	(60,265,795)	-	(60,265,795)
Transfer of revaluation reserves through depreciation, net of tax		-	-	-	-	(157,642,430)	-	157,642,430	-	-	-
Balance at December 31, 2019		P 1,821,977,615	P -	P 9,998,370,157	P -	P 1,777,036,051	(P 1,058,033,280)	(P 265,805,155)	P 12,273,545,388	P 180,000,000	P 12,453,545,388

See Notes to Consolidated Financial Statements.

CHELSEA LOGISTICS AND INFRASTRUCTURE HOLDINGS CORP. AND SUBSIDIARIES
(Formerly Chelsea Logistics Holdings Corp.)
(A Subsidiary of Udenna Corporation)
CONSOLIDATED STATEMENTS OF PROFIT OR LOSS
FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019
(Amounts in Philippine Pesos)

	Notes	2021	2020	2019
REVENUES	21, 26	**P 4,468,563,672**	P 4,678,919,363	P 7,220,216,042
COST OF SALES AND SERVICES	16	**4,978,406,918**	5,298,054,723	5,589,219,338
OTHER OPERATING EXPENSES	17	**1,094,471,418**	1,041,857,296	996,171,610
EXPECTED CREDIT LOSSES ON RECEIVABLES	5	**396,386,975**	761,569,714	-
OPERATING PROFIT (LOSS)		**(2,000,701,639)**	(2,422,562,370)	634,825,094
OTHER INCOME (CHARGES) - Net				
Finance costs	19	**(1,431,040,620)**	(1,302,488,868)	(1,226,043,366)
Share in net loss of associates	10	**(892,225,943)**	(1,046,368,576)	(483,155,985)
Gain on redemption of preferred shares	15	**355,489,306**	-	-
Gain on sale of an asset held for sale	11	**144,605,713**	-	-
Impairment loss on goodwill	25	**(10,375,700)**	-	-
Finance income	19	**6,034,750**	23,377,557	24,756,404
Gain on bargain purchase	25	**-**	1,184,509,480	-
Gain on sale of an associate	10	**-**	983,615,152	-
Loss on remeasurement of shares	10, 25	**-**	(333,347,312)	-
Loss on debt modification	13	**-**	(86,612,580)	-
Other income (loss)	19	**(142,531,515)**	98,328,959	77,117,951
		(1,970,044,009)	(478,986,188)	(1,607,324,996)
LOSS BEFORE TAX		**(3,970,745,648)**	(2,901,548,558)	(972,499,902)
TAX EXPENSE (INCOME)	20	**(65,478,691)**	409,401,046	(140,738,902)
NET LOSS		**(P 3,905,266,957)**	(P 3,310,949,604)	(P 831,761,000)
Loss Per Share (Basic and Diluted)	23	**(P 2.143)**	(P 1.817)	(P 0.457)

See Notes to Consolidated Financial Statements.

CHELSEA LOGISTICS AND INFRASTRUCTURE HOLDINGS CORP. AND SUBSIDIARIES
(Formerly Chelsea Logistics Holdings Corp.)
(A Subsidiary of Udenna Corporation)
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019
(Amounts in Philippine Pesos)

	Notes	2021	2020	2019
NET LOSS		**(P 3,905,266,957)**	(P 3,310,949,604)	(P 831,761,000)
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Revaluation of vessels	9	**(97,809,298)**	(297,170,375)	632,951,901
Remeasurement of post-employment benefit obligation	18	**60,163,065**	(22,739,222)	(9,799,526)
Share in the remeasurement losses on post-employment benefit obligation of an associate	10	**-**	-	(26,478,210)
Tax income (expense)	20	**41,974,764**	(46,862,608)	(159,150,294)
		4,328,531	(366,772,205)	437,523,871
Items that will be reclassified subsequently to profit or loss:				
Currency exchange differences on translating financial statements of foreign operations	2	**1,618,520**	154,306	(715,045)
Other Comprehensive Income (Loss) - net of tax		**5,947,051**	(366,617,899)	436,808,826
TOTAL COMPREHENSIVE LOSS		**(P 3,899,319,906)**	(P 3,677,567,503)	(P 394,952,174)

See Notes to Consolidated Financial Statements.

CHELSEA LOGISTICS AND INFRASTRUCTURE HOLDINGS CORP. AND SUBSIDIARIES
(Formerly Chelsea Logistics Holdings Corp.)
(A Subsidiary of Udenna Corporation)
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019
(Amounts in Philippine Pesos)

	Notes	2021	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss before tax		(P 3,970,745,648)	(P 2,901,548,558)	(P 972,499,902)
Adjustments for:				
Depreciation and amortization	9, 12	1,484,181,534	1,675,721,855	1,272,582,798
Interest expense	19	1,403,290,901	1,300,967,463	1,223,993,922
Share in net loss of associates	10	892,225,943	1,046,368,576	483,155,985
Loss (gain) on sale of property and equipment	9	495,936,979	(50,038,745)	(30,909,664)
Gain on redemption of preferred shares	15	(355,489,306)	-	-
Gain on sale of assets held for sale	10	(144,605,713)	(983,615,152)	-
Impairment losses on property and equipment	9	71,040,998	70,755,801	7,394,742
Unrealized foreign currency exchange gains - net	19	12,975,444	-	(9,240,000)
Impairment losses on goodwill	25	10,375,700		
Share option benefit expense	22	5,943,224	16,869,063	
Interest income	19	(640,268)	(497,226)	(3,209,084)
Gain on bargain purchase	25	-	(1,184,509,480)	-
Loss on remeasurement of previously-held interest	25	-	333,347,312	-
Loss on debt modification	13	-	86,612,580	-
Gain on retirement on property and equipment	9	-	(23,863,984)	-
Reversal of impairment losses on property and equipment		-	-	(2,214,620)
Operating profit before working capital changes		(95,510,212)	(613,430,495)	1,969,054,177
Decrease (increase) in trade and other receivables		673,798,843	747,606,386	(789,456,419)
Decrease (increase) in inventories		115,167,504	(65,817,368)	(10,503,833)
Decrease (increase) in advances to related parties		250,206,312	(314,467,708)	2,313,303,074
Increase in other current assets		(173,544,719)	(158,275,661)	(104,009,655)
Decrease in post-employment benefit asset		4,154,768	1,718,694	4,626,812
Decrease (increase) in other non-current assets		(93,307,612)	41,923,349	(22,918,855)
Increase (decrease) in trade and other payables		(91,861,802)	973,597,461	6,401,485,289
Decrease in advances from customers		52,646,543	7,333,519	41,303,852
Increase in post-employment benefit obligation		26,392,961	34,518,538	11,566,680
Increase (decrease) in other non-current liabilities		(71,298,444)	4,950,042	11,491,528
Cash generated from operations		596,844,142	659,656,757	9,825,942,650
Interest received		640,268	497,226	3,209,084
Cash paid for income taxes		(7,377,558)	(12,666,078)	(23,364,384)
Net Cash From Operating Activities		590,106,852	647,487,905	9,805,787,350
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from disposal of property and equipment	9	447,352,689	492,333,802	64,887,231
Acquisitions of property and equipment	9	(269,115,281)	(219,072,100)	(3,812,414,640)
Proceeds from disposal of other non-current assets held for sale	11	28,733,405	-	-
Additional investment in a subsidiary and a joint venture	10, 22	-	(219,609)	(5,165,000,739)
Net Cash From (Used in) Investing Activities		206,970,813	273,042,093	(8,912,528,148)
Balance carried forward		P 797,077,665	P 920,529,998	P 893,259,202

	Notes	2021	2020	2019
Balance brought forward		**P 797,077,665**	P 920,529,998	P 893,259,202
CASH FLOWS FROM FINANCING ACTIVITIES				
Interest paid		**(655,053,098)**	(1,057,077,426)	(1,166,580,151)
Repayments of interest-bearing loans and borrowings	13	**(391,890,832)**	(771,406,165)	(3,307,245,190)
Proceeds from interest-bearing loans and borrowings	13	**286,281,556**	275,667,888	2,393,163,353
Proceeds from deposits for future stock subscriptions	22	**57,828,800**	662,596,200	-
Proceeds from advances from related parties	21	**36,239,823**	-	1,113,921,827
Repayments of advances from related parties	21	**-**	(266,615,985)	(35,203,829)
Net Cash Used In Financing Activities		**(666,593,751)**	(1,156,835,488)	(1,001,943,990)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**130,483,914**	(236,305,490)	(108,684,788)
CASH AND CASH EQUIVALENTS FROM ACQUIRED SUBSIDIARIES	25	**-**	283,958	40,417,324
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 269,690,887**	P 139,206,973	P 375,228,505

See Notes to Consolidated Financial Statements.

CHELSEA LOGISTICS AND INFRASTRUCTURE HOLDINGS CORP. AND SUBSIDIARIES
(Formerly Chelsea Logistics Holdings Corp.)
(A Subsidiary of Udenna Corporation)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 and 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 Board of Directors (BOD) approved the change in the corporate name of the Company from Chelsea Logistics Holdings Corp. to Chelsea Logistics and Infrastructure Holdings Corp. This was subsequently ratified by the Company's stockholders on March 15, 2019 and approved by the SEC on May 7, 2019.

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

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

1.2 Subsidiaries, Associates and their Operations

As of December 31, 2021 and 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)*	**100%**	90%

Company Name	Explanatory Notes	Percentage of Ownership 2021	2020
Associate –			
Dito Holdings Corporation (DHC)	*(y)*	**10.54%**	10.54%

[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]60.29% 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.

(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 Group, Inc. (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, 2021, 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, 2021.

(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, 2021, 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 October 1, 2021, the Company acquired the Preferred B Shares and common shares of KGLI representing 20% of the outstanding common stock and 9.93% of the voting rights, resulting to 100% effective ownership in KGLI-NM as of December 31, 2021. On May 11, 2020, the Company acquired the Preferred C Shares of KGLI representing 20% of the outstanding common stock and 50.37% of the voting rights of KGLI-NM.

(y) 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, 2021.

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 Continuing Impact of COVID-19 Pandemic on the Group's Businesses

The outbreak of the COVID-19 pandemic and the measures adopted by governments in countries worldwide to mitigate the pandemic's spread have significantly impacted the Group since mid-March 2020 until this reporting period. A subsequent lockdown due to a second wave of infections in the middle of 2021 delayed the economic and business recovery anticipated during the year.

The extended effect of the outbreak continued to have an adverse impact on the Group's sales, margin and cash flows. In response, management took the following mitigating actions to reduce costs, optimize the Group's cash flow and preserve liquidity:

- Reducing non-essential capital expenditure and deferring or cancelling discretionary spend;
- Freezing non-essential recruitment;
- Negotiating longer payment terms with suppliers;
- Disposed of investments and certain underperforming and non-performing assets;
- Put vessels on intentional lay-up to save on cash expenses;
- Route rationalization by deploying vessels to profitable routes;
- Tapping new business opportunities in the e-Commerce;
- Entering into strategic partnerships to expand sea freight business; and,
- Obtained additional capital infusion from existing stockholders and other investors amounting to P720.4 million in 2021 and 2020.

The Group is currently in discussion with its bankers and other financial institutions regarding additional financing arrangements and/or other financing options. This is in addition to the refinancing, restructuring and payment deferral of debt service in accordance with Republic Act (RA) No. 11469, *Bayanihan to Heal as One Act* and RA No. 11494, *Bayanihan to Recover as One Act* in 2020 and 2021.

Operating Costs and other expenses were contained and reduced significantly. Revenues short by merely 4% of 2020 results, which included two and a half months of pre-pandemic operations.

For the next 12 months with the continued easing of COVID-19 restrictions and regulations, and the expected improvement in the level of customer demand for the Group's services, management foresees a positive impact on the succeeding year's financial results of the Group. It is worthy to note that in 2022, allowed passenger capacity has been increased from 50% to 70%, and travel restrictions have been eased. The logistics segment of the Group has continued to tap the e-commerce market that will boost its current business operations.

Management will continue to take actions to improve the operations as the need arises. Based on these factors, the Group projects sufficient headroom to fund for its operations. The Group also projects recovery from the financial and operational risks of the pandemic. Accordingly, management has not determined material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern.

1.4 Approval of Consolidated Financial Statements

The consolidated financial statements of the Group as of and for the year ended December 31, 2021 (including the comparative consolidated financial statements as of December 31, 2020 and for the years ended December 31, 2020 and 2019) were authorized for issue by the Company's BOD on March 29, 2022.

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.

(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 in 2021 that are Relevant to the Group

The Group adopted for the first time the following amendments to PFRS, which are mandatorily effective for annual periods beginning on or after January 1, 2021:

PFRS 9, PFRS 7, and PFRS 16 (Amendments)	:	Interest Rate Benchmark Reform Phase 2 Financial Instruments, Financial Instruments: Disclosure, Leases
PFRS 16 (Amendments)	:	Leases – COVID-19-Related Rent Concessions beyond June 30, 2021

Discussed below are the relevant information about these amendments.

(i) PFRS 9 (Amendments), *Financial Instruments*, PFRS 7 (Amendments), *Financial Instruments: Disclosures*, and PFRS 16 (Amendments), *Leases – Interest Rate Benchmark Reform Phase 2.* The amendments address issues that may affect financial reporting during the interest rate benchmark reform, including the effect of changes to contractual cash flows or hedging relationships resulting from the replacement of the London Interbank Offered Rate (LIBOR) with alternative benchmark rates. The Phase 2 amendments have no impact to the Company's financial statements as the Company did not have any financial instruments subject to LIBOR.

(ii) The Company opted to early adopt the application of the amendments to PFRS 16*, Leases – COVID-19-Related Rent Concessions beyond June 30, 2021*, which is effective from April 1, 2021. The amendments extend for one year the use of practical expedient of not assessing whether rent concessions reducing payments up until June 30, 2022 occurring as a direct consequence of the COVID-19 pandemic are lease modifications and instead to account for those rent concessions as if they are not lease modifications. The application of these amendments had no significant impact to the Group's consolidated financial statements as the Group did not receive any rent concession from its lessors in 2021.

(b) Effective Subsequent to 2021 but not Adopted Early

There are amendments and improvements to existing standards effective for annual periods subsequent to 2021, 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)

(ii) PAS 1 (Amendments), *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current* (effective from January 1, 2023)

(iii) PAS 8 (Amendments), *Accounting Estimates – Definition of Accounting Estimates* (effective from January 1, 2023)

(iv) PAS 12 (Amendments), *Income Taxes – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction* (effective from January 1, 2023)

(v) PAS 16 (Amendments), *Property, Plant and Equipment – Proceeds Before Intended Use* (effective from January 1, 2022)

(vi) PAS 37 (Amendments), *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract* (effective from January 1, 2022)

(vii) PAS 1 (Amendments), *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current* (effective from January 1, 2023)

(viii) 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)

(ix) 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 percent' Test for Derecognition of Liabilities*

b. Illustrative Examples Accompanying PFRS 16, *Leases – 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 2.13). 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 2.19).

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 2.19).

(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.

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 fair value through profit or loss (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 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 expected credit losses (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 ECL is 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 possible default events 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, ECL is 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
Office 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 2.21) 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 2.19).

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 Investment Properties

Investment properties represent properties held either to earn rental income or for capital appreciation or for both, but not for use in the supply of service or for administrative purpose. These are stated at cost, which includes acquisition price plus directly attributable costs incurred such as legal fees, transfer taxes and other transaction costs.

Construction-in-progress represents an investment property under construction and is stated at cost. This includes costs of construction, applicable borrowing costs (see Note 2.21) and other direct costs. The asset is not depreciated until such time that it is completed and available for its intended use. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.19).

The residual values, estimated useful lives and method of depreciation of investment properties are reviewed, and adjusted if appropriate, at the end of each reporting period.

Transfers from other accounts (such as property and equipment) are made to investment property when and only when there is a change in use, evidenced by ending of owner-occupation or commencement of an operating lease to another party, while transfers from investment property are made when and only when there is a change in use, evidenced by commencement of the owner-occupation or commencement of development with a view to sell.

For a transfer from investment property to owner-occupied property or inventories, the cost of property for subsequent accounting is its carrying value at the date of change in use.

If an owner-occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under Property and Equipment account up to the date of change in use.

An item of investment property, including the related accumulated depreciation and impairment losses, if any, is derecognized upon disposal or when no future economic benefits is expected from its disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year the item is derecognized.

2.10 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.

2.11 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 2.17). 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 2.21). 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.

2.12 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.

2.13 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 2.19). 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.

2.14 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.

2.15 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.

2.16 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 2.17(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 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 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 2.21).

2.17 Leases

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 2.19).

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.

2.18 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.

2.19 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.

2.20 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 (APIC).

(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.

2.21 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.

2.22 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.

2.23 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.

2.24 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.

2.25 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.

2.26 Equity

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

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.

2.27 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.

2.28 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

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.

In 2021, the Company has 100% effective ownership in KGLI-NM as a result of the acquisition of Preferred B shares and common shares representing 20% of the outstanding common stock and 9.93% of the voting rights [see Note 1.2(x)].

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 where the Group is a Lessor

The Group has entered into various lease agreements. Critical judgment was exercised by management to distinguish the 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 property covered by the agreement. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities. Management has determined that all of its existing lease agreements as a lessor are operating lease agreements.

(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) Distinction between Investment Properties and Owner-managed Properties

The Group determines whether a property qualifies as investment property. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to the property but also to other assets used in the production or supply process.

In 2021, the Group reclassified certain property and equipment, which consists of land and construction in progress amounting to P1,199.7 million and P232.6 million, respectively, to Investment properties (see Note 8). Based on management's judgement, due to reevaluation of the use of the properties, these properties' future use is currently undetermined. There was no similar transaction in 2020.

(h) 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 2.15 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 pages.

(a) Determination of Appropriate Discount Rate in Measuring Lease Liabilities

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 6 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.

There were no further changes made in these accounting estimates in 2021 and 2020.

(e) Fair Value Measurement of Vessels, Vessel Equipment and Investment Property

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.

In 2020, the Group performed an internal valuation of certain vessels using income approach. The amounts of revaluation recognized on the Group's vessels are disclosed in Note 9. In 2021, the fair value of certain vessels was made in reference to the appraisal reports.

Investment property is measured using the cost model. The fair value disclosed in Note 29.4 to the financial statements is determined by the Company using the market comparable approach that reflects the recent transaction prices for similar properties in nearby locations.

A significant change in the inputs and assumptions discussed in Note 29.4 may affect prices and the value of the assets.

(f) Determining Realizable Amount of Deferred Tax Assets

The Group reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized.

In 2020, management assessed that certain deferred tax assets previously recognized were no longer expected to be recoverable in the subsequent reporting periods; hence, were derecognized in the 2020 consolidated statement of financial position. The carrying value of deferred tax assets as of December 31, 2021 and 2020 is disclosed in Note 20.2.

(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 2.19). 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.

For the impairment assessment of the vessels, management considers decline in market value as evidenced by the appraisal reports, physical damage noted through inspection of the vessels, and significant decline in financial performance of the asset than expected. Recoverable amount is determined at the lower of the fair value in the appraisal report less any cost to sell, and the present value of expected future cash flows from the vessel (see Note 29.4). Management has assessed that certain vessels are impaired as of December 31, 2021 and 2020. The Group has recognized impairment losses amounting to P71.0 million in 2021, 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 consolidated statements of profit or loss (see Notes 9 and 16).

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.

(i) Fair Value Measurement of Stock Options

The Group estimates the fair value of the stock options by applying an option valuation model, taking into account the terms and conditions on which the stock options were granted. The estimates and assumptions used are presented in Note 22.5, which include, among other things, the option life, average standard deviation of share price returns and applicable risk-free investment rate. Changes in these factors can affect the fair value of stock options at grant date.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components:

	2021	2020
Cash on hand and in banks	**P 257,005,823**	P 126,851,730
Short-term placements	**12,685,064**	12,355,243
	P 269,690,887	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 as of December 31, 2021 and 2020 did not include an amount of P6.6 million in both 2021 and 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 7 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:

	Notes	2021	2020
Trade receivables	9, 21.1	**P 1,975,857,456**	P 2,016,581,695
Due from agencies		**102,886,633**	192,521,709
Advances to officers and employees		**19,931,175**	24,603,182
Claims receivables		**5,833,131**	112,871,942
Others		**10,655,881**	20,677,981
		2,115,164,276	2,367,256,509
Allowance for ECL		**(1,059,923,358)**	(781,073,891)
		P 1,055,240,918	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	2021	2020
Balance at beginning of year		**P 781,073,891**	P 19,504,177
Additional ECL during the year	17	**396,386,975**	761,569,714
Write offs during the year		**(117,537,508)**	-
Balance at end of year		**P 1,059,923,358**	P 781,073,891

Trade and other receivables are unsecured, usually settled within 30 to 60 days, 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.

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

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.

Certain trade receivables amounting to P507.9 million and P603.7 million as of December 31, 2021 and 2020, respectively, were used as collateral to secure the payment of the Group's interest-bearing loans (see Note 13.1). Portion of the trade receivables which were used as collateral amounting to P278.2 million was provided with impairment loss based on the application of the Group's ECL methodology as of December 31, 2021.

6. INVENTORIES

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

	Note	**2021**	2020
Spare parts		**P 347,804,330**	P 407,123,996
Fuel and lubricants	21.2	**111,963,528**	168,229,056
Shipping supplies		**36,020,207**	36,409,168
Food, beverage and other supplies		**1,665,752**	859,101
		P 497,453,817	P 612,621,321

As of December 31, 2021 and 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 December 31, 2021 and 2020, there are no inventories pledged as security for any of the Group's liabilities as of the end of each reporting period.

7. OTHER CURRENT ASSETS

The breakdown of this account as of December 31, 2021 and 2020 follows:

	Note	**2021**	2020
Deferred input VAT		**P 367,983,684**	P 268,428,803
Input VAT		**346,015,802**	336,237,276
Creditable withholding taxes		**317,312,895**	277,990,211
Advances to suppliers		**182,406,069**	133,013,755
Prepayments		**140,308,871**	158,782,720
Deferred charges		**60,953,522**	66,886,755
Restricted cash	4	**6,243,270**	6,243,268
Financial assets at FVTPL		**-**	2,266,150
		P 1,421,224,113	P 1,249,848,938

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.

Prepayments primarily include prepaid taxes and licenses, rentals, and insurance.

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).

Financial assets at FVTPL 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).

Trans-Asia redeemed some of its investments in equity securities with total proceeds amounting to P2.3 million and P1.7 million in 2021 and 2020, respectively. Gain on sale of financial assets at FVTPL is presented as part of Miscellaneous under Other Income account in the Other Income (Charges) section in the 2021 and 2020 consolidated statements of profit or loss (see Note 19.3). No similar transaction was noted for the year ended December 31, 2019.

8. INVESTMENT PROPERTIES

The parcel of land located at Brgy. Ligid-Tipas, Taguig City was acquired by the Group in the prior years for WSI's warehousing operations. Accordingly, the Group commenced warehouse construction. Pursuant to the plan of the Group to venture into e-Commerce, the management has reevaluated its intention for these properties, and has deemed that the use of the properties is currently undetermined. Consequently, land and the related construction in progress amounting to P1,199.7 million and P232.6 million, respectively, were reclassified from Property and equipment to Investment properties in 2021.

Other information about the fair value measurement and disclosures related to the investment properties are presented in Note 29.4.

The property of the Group with net carrying amount of P1,199.7 million as of December 31, 2021 was used as a collateral to secure payment of the Company's term loan (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
December 31, 2021								
Cost or revalued amounts	P 213,761,703	P 23,720,570,615	P 206,319,488	P 241,458,310	P 168,035,859	P 3,813,704,634	P 211,371,960	P 28,575,222,571
Accumulated depreciation and amortization	-	(8,630,026,591)	(148,928,648)	(79,745,019)	(146,785,627)	(410,079,008)	-	(9,415,564,894)
Accumulated impairment losses	-	(126,323,308)	-	-	-	-	-	(126,323,308)
Net carrying amount	**P 213,761,703**	**P 14,964,220,716**	**P 57,390,840**	**P 161,713,291**	**P 21,250,233**	**P 3,403,625,626**	**P 211,371,960**	**P 19,033,334,369**
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 losses	-	(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 25,093,661,385	P 182,402,234	P 228,140,385	P 162,911,778	P 1,234,591,265	P 1,280,335,958	P 29,595,306,545
Accumulated depreciation and amortization	-	(6,372,257,267)	(85,960,943)	(44,761,043)	(107,326,845)	(43,987,279)	-	(6,654,293,377)
Accumulated impairment losses	-	(101,274,871)	-	-	-	-	-	(101,274,871)
Net carrying amount	P 1,413,263,540	P 18,620,129,247	P 96,441,291	P 183,379,342	P 55,584,933	P 1,190,603,986	P 1,280,335,958	P 22,839,738,297

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
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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
M/Tug Sigaboy	March 14, 2022	P 32,032,000
MV Trans-Asia 3	February 21, 2022	196,053,000
MV Trans-Asia 19	February 18, 2022	764,208,000
MV Trans-Asia 12	February 17, 2022	152,950,000
M/Tug Fortis XV	February 16, 2022	21,819,000
M/Tug Fortis I	February 16, 2022	30,453,000
M/Tug Pindasan	February 16, 2022	46,600,000
M/Tug Samal	February 16, 2022	44,260,000
MV Starlite Salve Regina	February 14, 2022	742,782,000
M/Tug Fortis VII	February 11,2022	29,218,000
M/Tug Fortis VIII	February 11, 2022	39,164,000
MV Starlite Saturn	February 2, 2022	466,000,000
MT Chelsea Enterprise	January 25, 2022	100,800,000
MV Starlite Stella Del Mar	January 7, 2022	535,671,000
MV Starlite Stella Maris	January 7, 2022	557,245,000
MV Starlite Archer	January 6, 2022	487,634,000
MV Starlite Pacific	December 31, 2021	26,852,000
MV Starlite Tamaraw	December 31, 2021	19,954,000
M/Tug Fortis II	September 15, 2021	39,071,000
MV Starlite Eagle	June 18, 2021	415,657,000
MV Starlite Reliance	June 18, 2021	410,225,000
MV Starlite Annapolis	June 16, 2021	76,093,000
MV Asia Pacific	March 29, 2021	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 III	December 16, 2019	35,000,000
M/Tug Fortis V	December 16, 2019	80,000,000
MT Chelsea Charlize	November 20, 2019	384,970,000
MV Asia Philippines	November 11, 2019	73,000,000
MV Trans-Asia 10	October 24, 2019	157,378,000
MT BMI Patricia	July 26, 2019	55,500,000
MT Jasaan	July 27, 2019	42,500,000
MV Trans-Asia 8	July 08, 2019	100,000,000
M/Tug Fortis VI	June 27, 2019	70,000,000
M/Tug Fortis X	June 27, 2019	85,000,000

Name of Vessel	Date of Report	Net Appraised Values
MT Chelsea Endurance	May 30, 2019	P 330,000,000
MT Chelsea Denise II	March 26, 2019	442,000,000
MV Trans-Asia 2	February 15, 2019	90,000,000
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 IX, M/Tug Fortis III, M/Tug Fortis V, MT Chelsea Charlize, MV Asia Philippines, MV Trans-Asia 10, MT BMI Patricia, MT Jasaan, MV Trans-Asia 8, M/Tug Fortis VI, M/Tug Fortis X, MT Chelsea Endurance, MT Chelsea Denise II, MV Trans-Asia 2, MT Ernesto Uno and MT Chelsea Resolute are still undergoing extended drydocking as of December 31, 2021; 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 2021, the fair values of these vessels were made in reference to the appraisal reports.

If the Group's vessels and vessel equipment were measured under the cost model, the cost, accumulated depreciation, accumulated impairment losses and net carrying amount as of December 31, 2021 and 2020 are as follows:

	2021	2020
Cost	**P18,677,941,653**	P 19,164,300,525
Accumulated depreciation	**(5,338,365,142)**	(4,666,853,381)
Accumulated impairment losses	**(126,323,308)**	(55,282,310)
Net carrying amount	**P13,213,253,203**	P 14,442,164,834

Additional impairment loss recognized during the year is presented as Impairment loss on property and equipment under Cost of Sales and Services in the consolidated statements of profit or loss (see Note 16).

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 1,370,544,243**	P 1,558,782,765	P 1,213,397,083
Other operating expenses		**110,264,050**	113,983,754	59,185,715
	17	**P 1,480,808,293**	P 1,672,766,519	P 1,272,582,798

Certain vessels of the Group with a total net carrying amount of P13,122.3 million and P12,803.3 million as of December 31, 2021 and 2020, respectively, were used to secure the payment of certain interest-bearing loans and borrowings (see Note 13). There were no capitalized borrowing costs in 2021 and 2020.

In 2021, the Group sold a floating dock previously recognized under CIP to a third party for a total consideration of P232.1 million and recognized a loss on sale of the property and equipment amounting to P141.1 million (see Note 19.3). The outstanding receivable amounting to P142.9 million is presented as part of Trade receivables under Trade and other receivables account in the 2021 consolidated statement of financial position (see Note 5). In the same year, the Group also sold certain vessel and vessel equipment to third parties for a total consideration of P358.1 million and recognized a loss on sale of the property and equipment amounting to P354.9 million (see Note 19.3).

In 2021, a parcel of land and construction in progress amounting to P1,199.7 million and P232.6 million, respectively, were reclassified from property and equipment to investment property (see Note 8).

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 of 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.

In 2020, the Group retired two of its passenger vessels, M/V St. Nuriel and M/V St. Dominic, from its vessel fleet after they capsized in Mabini, Batangas due to typhoon. The carrying value of M/V St. Nuriel and St. Dominic, which was retired in October 2020 amounted to P47.3 million and P36.9 million, respectively. Gain on retirement, after recognition of insurance claims of P108.1 million, amounted to P23.9 million and is presented under Other Income account in the Other Income (Charges) section of the 2020 consolidated statement of profit or loss (see Note 19.3).

Due to the current pandemic, certain vessels of the Group with a total net carrying amount of P1,151.7 million and P1,936.3 million were temporarily idle and laid up as of December 31, 2021 and 2020, respectively.

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 AN ASSOCIATE AND A JOINT VENTURE

The carrying value of the Group's investments in an associate and a joint venture as of the end of the reporting periods follows:

	2021	2020
Associate –		
DHC		
Cost	**P 1,041,666,665**	P 1,041,666,665
Accumulated equity share in the total comprehensive income from previous years	**(149,440,722)**	-
Equity share in net loss	**(892,225,943)**	(149,440,722)
	-	892,225,943
Joint venture –		
Meridian Maritime		
Training Center (Meridian)	**81,001,440**	81,001,440
	P 81,001,440	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. The stake in 2GO was sold in 2021 (see Note 11).

In 2020 and 2019, equity share in net losses from KGLI-NM amounted to P205.8 million and P250.9 million, respectively, are recognized as part of Share in net loss of associates under the Other Income (Charges) – net section in the consolidated statements of profit or loss.

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 Telecommunity Corporation's (Dito) authorized capital stock for a total amount of P4.1 billion. Out of the subscribed shares, P3.6 billion worth of shares remained unpaid as of December 31, 2019.

In 2020 and 2019, equity share in net losses from Dito amounted to P691.1 million and P232.3 million, respectively, are recognized as part of Share in net loss of associates under the Other Income (Charges) – net section in the consolidated statements of profit or loss.

Subsequently, on October 30, 2020, the BOD approved the sale by the Company of all its common and preferred voting shares in Dito to DHC, for a total consideration of P532.3 million, which is equivalent to the Company's paid up portion of its total subscribed shares in Dito. DHC will also assume the outstanding subscription payable amounting to P3.6 billion. Portion of the proceeds were offset against outstanding advances of DHC to the Company. The Deed of Assignment was executed by the Company and DHC on November 11, 2020. The gain on the sale of the investment in Dito amounting to P983.6 million was recognized under Other Income (Charges) section in the 2020 consolidated statement of profit or loss.

On October 4, 2019, the Company subscribed to 1,041,666,665 common shares or equivalent to 41.67% interest of DHC's authorized capital stock for a total amount of P1.0 billion. Out of the subscribed shares, P781.2 million worth of shares remains unpaid as of December 31, 2021 and 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 Group's associate as of December 31, 2021 and 2020 (in thousands).

	2021	2020
Total current assets	P 4,074,013	P 625,000
Total non-current assets	132,488,702	9,934,999
Total assets	P 136,562,715	P 10,559,999
Total current liabilities	P 120,346,719	P 8,243,407
Total non-current liabilities	17,403,129	-
Total liabilities	P 137,749,848	P 8,243,407
Total revenues	P 2,189,451	P -
Net loss	P 17,888,137	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 (capital deficiency) of DHC	**(P 1,187,133,535)**	P 2,276,592
Direct ownership interest	**10.54%**	10.54%
Share in net assets of DHC	-	239,953
Carrying amount of investment in DHC, net of subscription payable	-	(110,976)
Share in net losses of Dito, as indirect associate	-	(128,977)
	P -	P -

No dividends were received from the Group's associate in 2021 and 2020. The Group's associate is a private company; 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 2021 and 2020).

No share in profit or loss was recognized from the investment in joint venture as the facility is still under construction and expenses recognized are not significant as of December 31, 2021 and 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 December 31, 2021 and 2020, management assessed that the investments in an associate 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 Trans-Asia and SFFC that the management of the respective companies approved to be sold. The carrying value of these assets were all measured at lower of their carrying amount and fair value less cost to sell.

The carrying amounts of the assets as of December 31, 2020 (nil in 2021) are as follows:

	Notes		
Investment in 2GO	25	P	7,306,294,365
Property and equipment:	9		
MV Lapu-Lapu Uno			56,250,001
MV Trans-Asia 5			28,733,405
MV Supercat 36			11,919,000
Total		P	7,403,196,771

On January 15, 2021 and April 6, 2021, Trans-Asia has sold Trans-Asia 5 and Lapu-Lapu Uno to third parties, respectively.

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.

On May 3 and June 3, 2021, the Group executed the sale of its investment in 2GO for a total net consideration amounting to P7,460.3 million, in which the Group recognized a gain on sale amounting to P154.0 million and is presented as part of Other Income (Charges) in the 2021 consolidated statement of profit or loss. Portion of the proceeds amounting to P6,550.3 million was used to pay a certain loan of the parent company. There is no outstanding receivable related to this sale (see Note 21.4).

On August 19, 2021, SFFC has sold MV Supercat 36 for a total consideration amounting to P2.5 million, in which SFFC recognized a loss on sale amounting to P9.4 million and is presented as part of Other Income (Charges) in the 2021 consolidated statement of profit or loss.

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 281,088,772**	P 248,131,959
Security deposits	21.3	**88,502,533**	88,046,332
Deposit for future acquisition		**83,822,243**	-
Deferred input VAT		**77,541,301**	103,683,062
Software, net of amortization		**36,104,006**	32,911,807
Restricted cash	4	**335,112**	335,112
Others		**-**	4,351,324
		P 567,393,967	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.

Deposit for future acquisition pertains to deposits made by the Group to acquire a stake in another company. As of the date of issuance of the consolidated financial statements, the terms of the transaction is yet to be finalized.

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		**6,565,440**	8,278,650
Amortization during the year	17	**(3,373,241)**	(3,120,197)
Balance at end of year		**P 36,104,006**	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 4,349,287,368**	P 4,868,416,676
Term loans	13.1	**1,332,065,820**	1,342,867,834
Lease liabilities	13.4	**335,000,817**	192,588,562
Mortgage loans	13.3	**28,895,025**	40,790,307
		6,045,249,030	6,444,663,379
Non-current:			
Term loans	13.1	**9,171,438,524**	8,644,055,581
Lease liabilities	13.4	**2,572,118,195**	1,759,416,021
Mortgage loans	13.3	**163,713,548**	158,836,245
Bank loans	13.2	**126,910,000**	-
		12,034,180,267	10,562,307,847
		P18,079,429,297	P17,006,971,226

The Group has taken necessary steps to soften the impact of the COVID-19 pandemic on its financial condition. It availed of financial relief under RA No. 11469 and No. 11494, which allowed the Group to extend for a minimum of thirty 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 disclosures.

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 and in the succeeding page.

	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, 2021	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	266,281,556	20,000,000	-	-	286,281,556
Repayments	(137,256,278)	(112,219,389)	(7,017,879)	(135,397,267)	(391,890,832)
	129,025,278	(92,219,388)	(7,017,879)	(135,397,267)	(105,609,276)
Non-cash financing activities:					
Additions	-	-	-	1,154,912,900	1,154,912,900
Termination of lease	-	-	[illegible]	(62,481,756)	(64,831,282)
Reclassification	373,560,207	(300,000,000)	-	-	73,560,207
Restatement of foreign currency denominated loans	12,976,404	-	-	-	12,976,444
	387,555,651	(300,000,000)	-	1,090,511,696	1,179,067,347
Balance at December 31, 2021	P 10,503,504,344	P 4,476,197,368	P 192,608,573	P 2,907,119,012	P 18,079,429,297

	Term loans (See Note 13.1)	Bank loans (See Note 13.2)	Mortgage loans (See Note 13.3)	Lease liabilities (See Note 13.4)	Total
Balance as of January 1, 2020	P 10,790,081,130	P 4,843,132,877	P 230,521,273	P 1,234,521,631	P 17,097,121,192
Cash flows from financing activities:					
Additions	47,671,000	202,824,817	26,789,951		275,027,898
Repayments	(276,953,375)	(73,735,538)	(60,119,172)	(368,979,293)	(771,336,181)
	(198,580,375)	125,368,599	(33,329,221)	(368,979,293)	(495,230,277)
Non-cash financing activities:					
Additions	-	-	22,625,169	1,086,351,232	1,108,976,721
Loss on modification of debts	86,012,590	-	-	-	86,012,590
Reclassification	(700,000,000)	700,000,000			
	(613,987,428)	700,000,000	22,625,169	1,086,351,232	1,195,558,311
Balance at December 31, 2020	P 9,980,925,415	P 4,868,416,379	P 199,026,552	P 1,951,894,585	P 17,000,263,228
Balance as of January 1, 2019	P 10,485,492,175	P 4,894,218,434	P 180,177,962	P 59,891,242	P 15,619,851,853
Cash flows from financing activities:					
Additions	914,096,451	1,500,868,403			2,454,164,854
Repayments	(928,196,259)	(2,392,192,649)	(30,230,413)	(28,625,571)	(3,387,245,180)
	(14,100,808)	(922,125,946)	(30,230,413)	(28,625,571)	(994,081,937)
Non-cash financing activities:					
Balance from acquired subsidiaries	319,140,741	50,000,000			369,140,741
Effect of adoption of PFRS 16				213,630,458	213,630,458
Additions			21,644,476	989,646,502	1,011,290,978
Reclassification	-	(78,935,409)	78,935,409		
Restatement of foreign currency denominated loans	(6,240,000)	-	-		(6,240,000)
	320,500,741	(28,935,409)	100,543,885	1,203,276,960	1,601,391,177
Balance at December 31, 2019	P 10,790,081,130	P 4,843,147,877	P 230,521,274	P 1,234,521,631	P 17,097,121,192

13.1 Term Loans

The details of the Group's term loans as of December 31, 2021 and 2020 are as follows:

	Notes	Security	Terms	Interest Rates	Outstanding Balance 2021	Outstanding Balance 2020
China Banking Corporation (CBC)	(b.1)	Continuing Suretyship; MT Chelsea Great Princess/ MT Chelsea Charlize/ MT Chelsea Resolute/ MT Chelsea Enterprise/ MT Chelsea Excellence/ MT Chelsea Endeavor Unity/ MT Chelsea Jasaan	7 years	5.50%	P 1,926,396,726	P 1,926,396,726
Development Bank of the Philippines (DBP)	(f.1)	MT Chelsea Providence/MV Stella Maris	15 years	6.50%	1,821,808,778	1,448,428,571
Philippine Business Bank (PBB)	(c.2)	MV Eagle, MV Archer, MV Saturn	10 years	7.50%	833,238,917	833,238,917
CBC	(b.3)	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%	588,892,857	588,892,857
DBP	(f.2)	MV San Pedro Calungsod MV San Lorenzo Ruiz Uno MV St. Nicholas of Myra	15 years	6.50%	496,807,512	528,319,569
DBP	(f.4)	MV Hansel, MV Nestor	15 years	6.95%	460,955,817	528,260,000
PBB	(c.4)	MV Salve Regina	15 years	7.50%	460,000,000	460,000,000
RCBC (RCBC) Unibank, Inc. (RCBC)	(a.2)	Trans - Asia 1 and 10	10 years	3.25% - 5.00%	318,707,138	340,323,061
PBB	(c.3)	MV Stella Del Mar	10 years	7.90%	309,222,352	309,222,352
DBP	(f.5)	MV St. Camael and MV St. Sariel	15 years	6.50%	300,210,979	332,197,052
Mega International Commercial Bank Co. (MICBC)	(e)	Continuing Suretyship	5 years	4.09%	247,500,000	247,500,000
Robinsons Bank Corporation (RBC)	(e)	Continuing Suretyship	5 years	4.09%	247,500,000	247,500,000
CTBC Bank (Phils) Inc. (CTBC)	(e)	Continuing Suretyship	5 years	4.09%	247,500,000	247,500,000
PBB	(c.1)	MT Chelsea Dominance	7 years	6.00%	227,040,850	227,040,850
PBB	(c.1)	MT Chelsea Endurance	7 years	6.00%	192,578,758	192,578,758
PBB	(c.5)	Pledge of Shares of Stocks	3 years	10.00%	177,785,000	-
First Commercial Bank, Ltd. (FCB)	(e)	Continuing Suretyship	5 years	6.20%	165,000,000	165,000,000
CBC	(b.2)	Trans-Asia 15	10 years	7.00%	182,407,407	228,703,704
Rizal Commercial Banking Corp.	(g)	Starlite Spirit I	7 years	5.50%	115,776,039	111,507,790
BPI Capital Asia Growth Fund	(h)	Unsecured	5 years	9.00%	100,500,000	-
RCBC	(a.1)	MT Chelsea Denise II	2 years	5.50%	90,842,500	30,842,500
Pioneer Insurance & Surety Corporation	(i)	MV St. Uriel and MV St. Sealtiel	2 years	6.00%	48,626,256	-
Asia United Bank (AUB)	(d)	MTug Fortis VI, MTug Fortis VII and MTug Fortis VIII	7 years	5.50%	41,895,245	52,118,558
AUB	(d)	MTug Fortis IX and MTug Fortis X	7 years	7.02%	35,807,530	44,128,653
AUB	(d)	MTug Fortis III and MTug Fortis V	7 years	5.50%	38,212,255	38,722,683
					10,450,309,052	9,941,499,376
Discount on loans payable					53,194,492	43,424,011
					P 10,509,858,944	P 9,988,925,415

(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 P439.5 million and P462.3 million as of December 31, 2021 and 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. Trans-Asia - 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. Principal and interest payments on these loans are made monthly. Additional loans were made from BDO amounting to P243.5 million and P166.0 million in 2016 and 2017, respectively, with an interest rate of 4.25% to 5.00% 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 P727.1 million and P834.7 million as of December 31, 2021 and 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. 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 P1,725.4 million and P1,725.8 million as of December 31, 2021 and 2020, respectively. The loan is also secured by a continuing suretyship by the Company and parent company, and assignment of certain receivables amounting to P450.8 million and P515.5 million as of December 31, 2021 and 2020, respectively (see Note 5). 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.2. Trans-asia - 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 P238.9 million and P288.9 million as of December 31, 2021 and 2020, respectively, was used as collateral to secure the payment of these loans (see Note 9).

b.3. CLC and WSI

On August 27, 2019, CLC and WSI entered into a loan agreement with CBC to finance the acquisition of a real estate property and for the construction of a warehouse facility on the said property amounting to P800.0 million and P450.0 million, respectively. The loan is subject to a fixed interest rate of 7.25% for the first ten years and subject to repricing for the remaining five years. On the interest rate resetting date, the interest rate shall be repriced and determined based on the higher of the benchmark rate and interest spread of 250 bps, divided by the interest premium of factor of 95% or a floor rate of 7.25%. The loan is payable on a quarterly basis up to 15 years from the initial drawdown, inclusive of two-years grace period from the date of signing. As of December 31, 2021 and 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 land of the Company, classified under Investment properties in 2021, and Property and equipment in 220, with net carrying amount of P1,199.7 million as of December 31, 2021 and 2020 was used as a collateral to secure payment of this loan (see Notes 8 and 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 7 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 P826.9 million and P866.6 million, as of December 31, 2021 and 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 P1,309.1 million and P1,264.8 million as of December 31, 2021 and 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 P535.7 million and P550.3 million as of December 31, 2021 and 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 7.50% 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 P742.8 million and P710.4 million as of December 31, 2021 and 2020 was used as a collateral to secure the payment of this loan (see Note 9).

c.5. CLC – MV Trans-asia 21

On May 2021, the Company entered into a loan facility with PBB amounting to $3.5 million to finance the Company's equity due on MV Trans-asia 21. The loan is subject to annual interest rate of 10.0% and is payable on a quarterly basis up to the end of third year. The loan does not include any financial covenant.

The loan is secured by a deed of pledge of shares of stocks by Udenna and the Company with a net book value of P142.8 million as of December 31, 2021 [see Note 21.9(a)].

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 P57.1 million and P69.7 million as of December 31, 2021 and 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 P352.2 million and P438.1 million as of December 31, 2021 and 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 repricing of 3 month PDST rate plus 3.3% spread 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.

On May 27, 2021, CTBC, MICBC, RBC and FCB has approved the one-year extension of principal due from 2021 to 2022 including the non-application of the required financial covenants during the extension period.

The loan is secured by Trans-Asia shares with a carrying value of P525.0 million, a corporate guarantee by the parent company 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 RA 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 six-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 P819.9 million and P851.4 million as of December 31, 2021 and 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 December 31, 2020 (nil in 2021) were assigned to secure payment of this interest-bearing loan (see Note 5). Moreover, certain vessels of PNX-Chelsea with net carrying amounts of P719.4 million and P669.4 million as of December 31, 2021 and 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. Trans-Asia – 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 debt-to-equity 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 P1,051.9 million and P996.8 million as of December 31, 2021 and 2020, respectively, 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.

On March 28, 2021, the bank approved the CSC's request for the refinancing of outstanding loan obligations of CSC for a total of P1.8 billion, including unpaid interest. The principal payments begin on the third anniversary with annual interest rate of 6.50%. No gain/loss on loan restructuring is recognized as there is no substantial modification of terms under PFRS 9.

A certain vessel of CSC and SGFI with net carrying amount of P2,065.0 million and P1,547.7 million as of December 31, 2021 and 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, payable 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 P407.3 million and P396.3 million as of December 31, 2021 and 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 P117.6 million and P124.3 million as of December 31, 2021 and 2020, respectively, was used as a collateral to secure the payment of this loan (see Note 9).

(h) TLA with 8H Capital - CDC

On July 2021, CDC entered into a loan agreement with 8H Capital amounting to $2.0 million with a term of five years, inclusive of one-year grace period, payable to 16 equal quarterly installments to commence at the end of fifth quarter from the date of drawdown, with a prevailing interest rate of 9% per annum for the first year, and 12% per annum thereafter until the maturity date. The loan does not include any financial covenant.

(i) PN with Pioneer - CSC

On August 2021, CSC secured a loan with Pioneer Insurance & Surety Corp. amounting to P48.5 million with annual interest rate of 8.0% and is payable to 24 equal monthly installments, inclusive of six months grace period. The loan does not include any financial covenant.

Certain vessels of of Supercat with net carrying amounts of P57.8 million as of December 31, 2021 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 2021 and 2020 [(see *a.1, b.1*, *b.3, 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 debt-to-equity ratio and had lower than the indicated current ratio. The Group also had lower than the stated DSCR. Prior to December 31, 2021 and 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 to 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, 2021.

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). The related unpaid interest as of December 31, 2021 and 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		Outstanding Balance 2020	
Primary Institutional Lenders	Unsecured	30 to 180 days	4.25% to 7.50%	P	**1,450,531,880**	P	1,445,076,437
UCPB	MT Chelsea Intrepid MT BMI Patricia	90 days	5.00% to 5.75%		**862,325,000**		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	Unsecured	90 days	9.00%		**500,000,000**		500,000,000
Union Bank of the Philippines	Unsecured	360 days	4.50%		**200,000,000**		200,000,000
Pentacapital	Unsecured	360 days	6.00%		**196,691,072**		200,000,000
BDO Unibank Inc	Trans-Asia 1	180 days	6.50%		**47,500,000**		48,500,000
Robinsons Bank Corporation	MT Chelsea Denise	180 days	5.50%		**23,825,323**		76,125,000
AUB	Unsecured	30 days	8.00%		**20,324,093**		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
				P	**4,476,197,368**	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 P1,578.3 million and P1,752.2 million as of December 31, 2021 and 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 December 31, 2021 and 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		Outstanding Balance 2020	
BDO	Real Estate Mortgage	10 years	6.75%	P	**163,090,822**	P	163,006,755
Toyota Financials	Chattel Mortgage on Transportation Equipment	3 years	10.07%		**19,573,225**		20,488,751
BDO	Chattel Mortgage on Transportation Equipment	3 years	8.51%		**7,436,294**		8,762,638
AUB	Chattel Mortgage on Transportation Equipment	3 to 5 years	7.00% to 8.50%		**1,024,718**		5,186,384
Eastwest	Chattel Mortgage on Transportation Equipment	3 years	9.71%		**779,162**		952,553
RCBC	Chattel Mortgage on Transportation Equipment	3 years	7.00%		**428,165**		649,356
Chinabank Savings	Chattel Mortgage on Transportation Equipment	3 years	7.00% to 10.28%		**297,183**		580,993
				P	**192,608,573**	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 6.75% to 10.28% in both 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 P247.6 million and P359.5 million as of December 31, 2021 and 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 right-of-use assets leased	Range of remaining term	Average remaining lease term	Number of leases with extension options	Number of leases with termination options
December 31, 2021					
Warehouses and related facilities	6	1 - 3 years	2 years	3	-
Lot	6	2 - 10 years	4 years	-	-
Offices	6	1 - 5 years	3 years	2	1
Vessel and vessel equipment	6	2 to 20 years	15 years	-	8
December 31, 2020					
Warehouses and related facilities	11	1 - 2 years	2 years	3	-
Lot	7	2 - 10 years	5 years	-	-
Offices	7	2 - 8 years	4 years	3	1
Vessel and vessel equipment	5	3 to 20 years	15 years	-	8

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, 2021					
Lease liabilities	P 41,193,984	P 84,078,968	P 59,591,420	P 2,722,252,640	P 2,907,119,012
Number of leases with an extension option that is not considered reasonably certain of exercise	3	-	2	-	5
Additional lease liabilities that would be incurred were it to become reasonably certain that extension option would be exercised	P 9,039,292	-	P 105,642,327	-	P 114,681,619
December 31, 2020					
Lease liabilities	P 23,592,897	P 108,012,969	P 172,441,755	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 December 31, 2021 and 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
December 31, 2021							
Lease payments	P 561,560,429	P 381,464,422	P 321,285,837	P 856,715,101	P 251,234,688	P 2,129,133,424	P 4,501,390,791
Finance charges	(226,554,612)	(211,999,508)	(198,783,185)	(179,971,445)	(118,761,530)	(638,591,490)	(1,594,270,779)
Net present value	**P 335,005,817**	**P 169,464,915**	**P 122,498,452**	**P 676,743,748**	**P 132,472,158**	**P 1,490,541,934**	**P 2,907,119,012**
December 31, 2020							
Lease payments	P 316,842,815	P 302,295,985	P 149,917,796	P 230,842,248	P 708,429,238	P 1,074,884,230	P 2,913,111,891
Finance charges	(114,254,253)	(132,964,033)	(111,001,852)	(101,276,546)	(524,338,086)	(366,276,546)	(960,112,308)
Net present value	P 202,588,562	P 158,251,952	P 138,915,538	P 129,565,702	P 184,085,151	P 708,617,684	P 1,953,004,583

As of December 31, 2021 and 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 P98.9 million and P70.2 million in 2021 and 2020, respectively, and is presented as part of 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 December 31, 2021 and 2020, the Company's total commitment on these short-term leases amounted 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 5,677,632,885**	P 4,972,059,618
Accrued expenses	13, 21.2	**1,543,556,016**	1,053,180,766
Subscription payable	10	**781,249,998**	781,249,998
Non-trade payables	21.6	**500,000,000**	1,028,132,766
Deferred output VAT		**356,242,409**	310,533,009
Government-related obligations		**285,675,810**	126,965,369
Output VAT		**140,944,389**	70,938,300
Provisions	24.3	**707,213**	707,213
Deferred income		**-**	1,961,974
Others		**62,520,286**	81,706,301
		P 9,348,529,006	P 8,427,435,314

Subscription payable pertains to the amount of subscribed shares on the Group's investments in associate that remains unpaid as of December 31, 2021 and 2020 (see Note 10).

Accrued expenses comprise amounts to be paid in relation to warehouse construction, repairs and maintenance, fuel and lubricants, interest expense arising from loans, and professional fees rendered to the Group.

Deferred output VAT pertains to taxes payable based on VATable revenues from services rendered, which remained uncollected as of the end of the reporting periods.

15. REDEEMABLE PREFERENCE SHARES

The carrying amount of KGLI-NM's RPS is composed of the following as of December 31, 2020:

RPS Class B	
Face value – P10,000 par value	P 430,810,000
Accrued interest	799,626,441
	P 1,230,436,441

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-NM's redeemable preference shares have matured and are all carried at its face value; hence, no further interest was accrued in 2020.

In 2021, the Company acquired the RPS for a total consideration of P874.9 million from its previous holder and recognized a gain on redemption amounting to P355.5 million and is presented as Gain on redemption of preferred shares in the 2021 consolidated statement of profit or loss.

16. COST OF SALES AND SERVICES

The details of this account for each of the years ended December 31 are shown below.

	Notes	2021	2020	2019
Bunkering	6, 21.2	P 1,494,252,012	P 1,569,213,005	P 1,983,576,307
Depreciation and amortization	9	1,370,544,248	1,558,782,765	1,213,397,083
Salaries and employee benefits	18.1	541,878,271	681,865,714	746,460,089
Handling costs		295,135,774	199,578,068	166,442,863
Outside services		283,166,405	234,987,228	290,300,325
Insurance		204,105,647	229,777,747	249,237,841
Repairs and maintenance	6	176,093,611	256,965,375	265,835,162
Port expenses		161,725,068	177,373,576	205,556,151
Supplies	6	84,380,250	52,249,952	79,411,947
Rentals	14, 21.3	75,418,428	33,217,024	30,914,197
Impairment losses on property and equipment	9	71,040,998	70,755,801	7,394,742
Cost of inventories sold		55,637,666	49,226,636	69,140,884
Charter hire fees		26,391,284	31,748,387	86,839,201
Taxes and licenses		23,322,783	22,106,026	31,588,321
Transportation and travel		16,086,965	6,833,876	12,463,231
Utilities and communication		14,384,969	20,594,468	25,628,079
Commission		14,236,971	24,142,407	22,370,802
Representation and entertainment		909,039	1,087,743	1,004,406
Professional fees		20,000	191,953	326,169
Miscellaneous		70,076,534	77,356,972	101,331,538
		P 4,978,406,918	P 5,298,054,723	P 5,589,219,338

17. OPERATING EXPENSES BY NATURE

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

	Notes	2021	2020	2019
Bunkering	6, 21.2	P 1,493,252,012	P 1,569,213,005	P 1,983,576,307
Depreciation and amortization	9, 12	1,484,181,534	1,675,721,855	1,272,582,798
Salaries and employee benefits	18.1	849,960,921	1,090,407,842	1,206,410,646
Expected credit losses on receivables	5	396,386,975	761,569,714	-
Outside services		642,384,137	418,037,183	351,586,902
Handling costs		295,135,774	199,578,068	166,442,863
Insurance		206,330,895	239,556,920	255,458,720
Repairs and maintenance	6	180,755,158	275,676,759	279,617,365
Port expenses		161,725,068	177,373,576	205,556,151
Taxes and licenses		134,848,876	141,477,318	169,398,443
Rentals	13.4, 21.3, 24.2	98,903,564	70,176,802	80,869,617
Supplies	6	93,203,420	62,238,786	97,192,987
Impairment losses on property and equipment	9	71,040,998	70,755,801	7,394,742
Cost of inventories sold		55,637,666	49,226,636	69,140,884
Utilities and communication		49,377,556	48,197,380	55,774,724
Transportation and travel		30,526,020	25,559,572	42,950,365
Charter hire fees		26,391,284	31,748,387	86,839,201
Professional fees		16,528,064	27,332,855	32,109,535
Commission		14,496,005	24,449,774	26,384,282
Representation and entertainment		2,709,526	5,163,277	7,277,254
Advertising and promotions		1,259,387	1,075,748	5,623,352
Miscellaneous	21.9(b)	164,230,471	136,944,475	183,203,810
		P 6,469,265,311	P 7,101,481,733	P 6,585,390,948

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 4,978,406,918	P 5,298,054,723	P 5,589,219,338
Other operating expenses		1,094,471,418	1,041,857,296	996,171,610
Expected credit losses on receivables	5	396,386,975	761,569,714	-
		P 6,469,265,311	P 7,101,481,733	P 6,585,390,948

18. SALARIES AND EMPLOYEE BENEFITS

18.1 Salaries and Employee Benefits

The details of salaries and employee benefits for the years ended December 31, 2021, 2020 and 2019 are presented below.

	Notes	2021	2020	2019
Short-term employee benefits		P 772,001,508	P 982,673,805	P 1,091,173,191
Other employee benefits		30,888,369	52,503,972	79,382,427
Post-employment benefits	18.2(b)	26,358,885	31,208,769	13,255,658
Bonus and incentives		14,768,935	7,152,233	22,599,370
Share-based compensation	22.5	5,943,224	16,869,063	-
	17	P 849,960,921	P 1,090,407,842	P 1,206,410,646

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 541,878,271**	P 681,865,714	P 746,460,089
Other operating expenses		**308,082,650**	408,542,128	459,950,557
	17	**P 849,960,921**	P 1,090,407,842	P 1,206,410,646

18.2 Post-employment Defined Benefit

(a) Characteristics of Post-employment Defined Benefit Plan

The Group maintains a funded, non-contributory post-employment defined benefit plan that is being administered by a trustee bank that is legally separated from the Group. The trustee bank managed the fund in coordination with the Group's management who acts in the best interest of the plan assets and is responsible for setting the investment policies. The post-employment plan covers all regular full-time employees.

The normal retirement age is 60 with a minimum of five periods of credited service. Normal retirement benefit is an amount equivalent to 22.5 days' pay for every year of credited service.

The post-employment defined benefit plan of Trans-Asia also provides for an early retirement for employees who have served or worked continuously for a period equivalent to the last salary for every year of service as shown below.

(i) For regular employees who were hired before December 1, 2006
- more than two periods to five periods – 7.5 days per year of service
- five periods and nine months to 10 periods – 15 days per year of service
- ten periods and nine months to 15 periods – 22.5 days per year of service
- 15 periods and nine months and above – 30 days per year of service

(ii) For regular employees who were hired starting December 1, 2006
- Five periods and nine months to nine periods – 7.5 days per year of service
- Nine periods and nine months to 15 periods – 15 days per year of service
- 15 periods and five months to 20 periods – 22.5 days per year of service
- 20 periods and nine months and above – 30 days per year of service

Further, Trans-Asia has provided its employees an opportunity to avail an advance on their retirement benefit. These can be availed by employees who were hired before December 31, 2006 and has rendered more than two periods of service to Trans-Asia and by employees who has been hired starting December 31, 2006 and has rendered at least five periods and nine months of service to Trans-Asia. The total number of periods of service of employees who availed of advance payment of a portion of his/her retirement shall be deducted with the number of periods he/she availed as advance retirement.

(b) Explanation of Amounts Presented in the Consolidated Financial Statements

Actuarial valuations are made regularly to update the post-employment benefit expense and the amount of contributions.

(i) Post-employment Benefit Asset

The amounts of post-employment defined benefit asset of CSC and MI as of December 31, 2021 and 2020, which is recognized in the consolidated statements of financial position are determined as follows:

	2021	2020
Fair value of plan assets	**P 1,800,436**	P 12,089,955
Present value of the obligation	**-**	(6,134,751)
	P 1,800,436	P 5,955,204

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

	2021	2020
Balance at beginning of year	**P 6,134,751**	P 4,015,489
Reclassification during the year	**(6,134,751)**	-
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 -**	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
Reclassification during the year	**(10,587,922)**	-
Interest income	**298,403**	519,555
Return on plan assets (excluding amounts included in net interest)	**-**	(118,987)
Balance at end of year	**P 1,800,436**	P 12,089,955

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

	2021	2020
Cash and cash equivalents	**P 2,026**	P 101,364
Debt and equity securities	**1,794,704**	11,373,561
Others	**3,706**	615,030
	P 1,800,436	P 12,089,955

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 (nil in 2021).

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 143,896,043	P 171,529,490
Fair value of plan assets	(63,879,806)	(57,743,149)
	P 80,016,237	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 171,529,490	P 113,011,020
Reclassification during the year	6,134,751	-
Actuarial loss (gains) due to changes in:		
Experience assumptions	(47,509,541)	(67,759)
Financial assumptions	(17,671,248)	22,733,078
Demographic assumptions	(3,874,107)	-
Benefits paid	(592,184)	-
Current service cost	26,358,885	29,449,131
Interest cost	9,519,997	6,404,020
Balance at end of year	P 143,896,043	P 171,529,490

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

	2021	2020
Balance at beginning of year	P 57,743,149	P 56,482,439
Reclassification during the year	10,587,922	-
Benefits paid	(592,184)	-
Remeasurement loss	(8,891,831)	-
Interest income	5,032,750	1,260,710
Balance at end of year	P 63,879,806	P 57,743,149

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

	2021	2020
Cash and cash equivalents	P 255,840	P 97,362
Debt securities	62,858,599	57,336,213
Equity securities	565,000	-
Others	200,367	309,574
	P 63,879,806	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 P5.0 million in 2021, P1.3 million in 2020 and P5.0 million in 2019. Plan assets do not comprise any of the Group's own financial instruments or any of its assets occupied and/or used in its operations.

(iii) Post-employment Benefit Expense

The amounts of post-employment benefit expense recognized in the consolidated statement of profit or loss and consolidated statements of comprehensive income in respect of the defined benefit post-employment plan is nil both in 2021, 2020 and 2019:

	Notes	2021	2020	2019
Recognized in profit or loss:				
Current service cost	18.2(a)	**P 26,358,885**	P 31,208,769	P 24,778,821
Net interest expense	18.1	**4,188,844**	6,089,255	1,216,147
	17	**P 30,547,729**	P 37,298,024	P 25,994,968
Recognized in other comprehensive loss:				
Net actuarial loss (gain)		**(P 69,054,896)**	P 22,620,235	P 10,121,881
Return on plan assets (excluding amounts included in net interest expense)		**8,891,831**	118,987	(322,355)
		(P 60,163,065)	P 22,739,222	P 9,799,526

In determining the retirement benefit obligation as at December 31, 2021 and 2020, the following actuarial assumptions were used:

	2021	2020
Discount rates	**5.00% - 6.10%**	3.35% - 7.40%
Expected rate of salary increase	**5.00% - 7.00%**	5.00% - 6.00%

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, 2021 and 2020.

	Impact on Post-employment Benefit Obligation		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
December 31, 2021			
Discount rate	+/- 1.0%	(P 16,486,637)	P 13,463,509
Salary growth rate	+/- 1.0%	12,251,556	(15,722,980)
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 December 31, 2021 and 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 December 31, 2021 and 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 December 31, 2021 and 2020 follows:

	2021	2020
One to five years	**P 74,650,406**	P 51,844,731
More than five years but not more than ten years	**91,104,878**	87,782,717
	P 165,755,284	P 139,627,448

19. OTHER INCOME (CHARGES)

19.1 Finance Costs

The details of this account for the years ended December 31, 2021, 2020 and 2019 are shown below.

	Notes	2021	2020	2019
Interest expense on –				
Interest-bearing loans	13	P 1,174,538,237	P 1,137,563,185	P 1,150,536,861
Lease liabilities		201,150,906	100,029,666	63,248,608
Deficiency income taxes		22,720,466	23,551,008	6,951,794
Nontrade payables		-	37,733,084	-
Post-employment benefits	18.2(b)	4,881,292	2,090,520	3,256,659
		1,403,290,901	1,300,967,463	1,223,993,922
Foreign currency exchange losses		25,714,272	-	64,024
Bank charges		2,035,447	1,521,405	1,985,420
		P 1,431,040,620	P 1,302,488,868	P 1,226,043,366

19.2 Finance Income

The breakdown of this account for the years ended December 31, 2021, 2020 and 2019 are shown below.

	2021	2020	2019
Interest income	P 640,268	P 22,880,331	P 21,547,320
Foreign currency exchange gains	5,394,482	497,226	3,209,084
	P 6,034,750	P 23,377,557	P 24,756,404

19.3 Other Income (Loss) - Net

Presented below are the details of other income (loss) for the years ended December 31, 2021, 2020 and 2019.

	Notes	2021	2020	2019
Gain on pre-termination of TC		P 312,815,862	P -	P -
Gain (loss) on sale of property and equipment - net	9	(495,936,979)	50,038,745	30,909,664
Rental income	21.3, 24.2	-	-	5,102,526
Gain on retirement of property and equipment - net	9	-	23,863,984	-
Reversal of impairment losses on property and equipment		-	-	2,214,620
Miscellaneous	7	40,589,602	24,426,230	38,891,141
		(P 142,531,515)	P 98,328,959	P 77,117,951

In 2021, PNX-Chelsea recognized a gain from the pre-termination of its time charter agreement with 2GO.

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)

Starlite had registered MV Archer, MV Saturn, MV Eagle, MV Reliance and MV Pioneer with BOI 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 Starlite Phoenix (formerly 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 income tax holiday (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 (RCIT) at 25% in 2021 and 30% in 2020 and 2019	P 9,708,386	P 24,185,232	P 26,069,160
Adjustment in 2020 income taxes due to change in income tax rate	(4,030,872)	-	-
Minimum corporate income tax (MCIT) at 1% in 2021 and 2% in 2020 and 2019	858,158	4,140,586	2,102,988
Final tax at 20% and 7.5%	4,386	335,117	595,334
	6,540,058	28,660,935	28,767,482
Deferred tax expense (income) relating to origination and reversal of temporary differences	(114,400,842)	380,740,111	(169,506,384)
Effect of the change in income tax rate	42,382,093	-	-
	(72,018,749)	380,740,111	(169,506,384)
	(P 65,478,691)	P 409,401,046	(P 140,738,902)
Recognized in other comprehensive income —			
Deferred tax income (expense) relating to origination and reversal	(P 118,095,181)	P 46,862,608	P 159,150,294
Effect of the change in income tax rate	76,120,417	-	-
	(P 41,974,764)	P 46,862,608	P 159,150,294

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 25% in 2021 and 30% in 2020 and 2019	(P 992,686,412)	(P 870,464,567)	(P 291,749,971)
Effect of the change in income tax rate	38,351,221	-	-
Adjustments for income subjected to lower tax rates	(2,193)	(167,559)	(52,725)
Tax effects of:			
Unrecognized deferred tax assets on net operating loss carryover (NOLCO)	755,166,584	782,347,357	-
Nondeductible expenses	225,650,411	538,365,876	181,694,015
Nontaxable income	(125,023,755)	(295,084,546)	(19,512,974)
Net loss (profit) on BOI-registered activities	33,065,453	110,247,371	(11,117,247)
Gain on bargain purchase	-	(349,518,591)	-
Derecognition of unutilized DTA	-	493,675,705	-
	(P 65,478,691)	P 409,401,046	(P 140,738,902)

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 112,286,976**	P 125,668,472
Revaluation reserves on property and equipment	**(28,896,923)**	(22,085,636)
Post-employment benefit obligation	**17,359,181**	27,602,145
Impairment losses on property and equipment	**12,131,075**	23,068,873
Leases	**11,452,201**	-
Unrealized foreign exchange loss	**3,243,861**	-
Share based compensation	**2,521,042**	-
MCIT	**410,080**	-
	P 130,507,493	P 154,253,854

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

	2021	2020
Revaluation reserves on property and equipment	**(P 329,582,947)**	(P 428,592,554)
Impairment losses on trade and other receivables	**152,693,864**	108,653,696
Capitalized borrowing costs	**(38,023,853)**	(45,724,727)
Leases	**(26,223,567)**	**-**
Post-employment benefit obligation	**2,644,878**	4,484,432
Impairment losses on property and equipment	**19,449,752**	-
Share based compensation	**369,307**	-
Unamortized past service costs	**163,672**	255,983
Provisions	**114,613**	137,535
Impairment losses on long-term financial assets	**-**	2,721,268
Accrued expenses	**-**	2,057,831
Others	**(549,645)**	(677,264)
	(P 218,943,926)	(P 356,683,800)

The net deferred tax expense (income) 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):						
Revaluation reserves of vessels	(P 17,791,651)	P [illegible]	P 388,881,860	P 53,684,375	P 69,062,857	P 103,634,585
Impairment loss on receivables	(18,658,472)	-	(297,308,847)	-	(1,409,244)	-
Leases	14,771,565	-	-	-	-	-
Impairment loss on property and equipment	(8,511,954)	-	-	-	-	-
Capitalized borrowing costs	(7,700,874)	-	-	-	-	-
Unrealized foreign currency loss – net	(6,248,661)	-	4,896	-	(4,908,245)	-
MCIT	(410,080)	-	5,818,853	-	(2,288,555)	-
Post-employment benefit obligation	(549,387)	(12,431,985)	6,651,824	(6,821,767)	2,334,347	(4,484,254)
NOLCO	-	-	181,675,700	-	65,469,806	-
Others	1,876,865	-	652,623	-	245,629	-
	(P 72,018,199)	P 41,874,764	P 380,780,113	P 46,862,608	P 129,506,381	P [illegible]

The details of the Group's NOLCO and MCIT are shown below.

Year		Original Amount		Applied in Current Period		Expired Balance		Remaining Balance	Valid Until
NOLCO:									
2021	P	3,042,075,680	P	-	P	-	P	3,042,075,680	2026
2020		2,607,824,522		-		-		2,607,824,522	2025
2019		426,533,137		-		-		426,533,137	2022
2018		461,300,595		-		461,300,595		-	2021
	P	6,537,733,934	P	-	P	461,300,595	P	6,076,433,339	
MCIT:									
2021	P	1,359,577	P	-	P	-	P	1,359,577	2024
2020		4,140,586		-		-		4,140,586	2023
2019		2,102,988		-		-		2,102,988	2022
2018		942,908		-		942,908		-	2021
	P	8,546,059	P	-	P	942,908	P	7,603,151	

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 2021 and 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 five years after the year the tax loss was incurred. Specifically, the NOLCO incurred in 2021 and 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 1% and 2% of gross income, in 2021 and 2020, respectively, 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, R.A. No. 11534, *Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act*, as amended, was signed into law and shall be effective beginning July 1, 2020. The following are the major changes brought about by the CREATE Act that are relevant to and considered by the Group:

(a) RCIT rate was reduced from 30% to 25% starting July 1, 2020;
(b) MCIT rate was reduced from 2% to 1% starting July 1, 2020 until June 30, 2023; and,
(c) the allowable deduction for interest expense is reduced from 33% to 20% of the interest income subjected to final tax.

In 2021, the recognized net deferred tax assets as of December 31, 2020 was remeasured to 25%. This resulted in a net decline in the recognized deferred tax asset and deferred tax liabilities in 2020 by P118.5 million, of which P42.4 million is recognized in the 2021 consolidated statement of profit or loss and P76.1 million is recognized in the 2021 consolidated statement of other comprehensive income.

21. RELATED PARTY TRANSACTIONS

The Group's related parties include Udenna, related parties under common ownership, associates, the Group's key management personnel.

A summary of the Group's transactions with its related parties for the years ended December 31, 2021, 2021 and 2020 and the related outstanding balances as of December 31, 2021, 2020 and 2019 is presented below.

		Amounts of Transactions			Outstanding Balances	
Related Party Category	Notes	**2021**	2020	2019	**2021**	2020
Parent —						
Cash advances granted	21.4	P **6,426,326,198**	P 317,184,433	(P 2,283,754,735)	P **7,406,704,900**	P 980,378,702
Associate:						
Chartering of services rendered	21.1	-	-	237,132,921	-	-
Sale of Dito	10, 21.4	-	4,106,249,866	-	**271,874,967**	271,874,967
Related parties under common ownership:						
Chartering of services rendered	21.1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fuel purchases	21.2	**1,673,670,555**	1,261,997,185	1,769,113,489	(**2,743,065,055**)	(2,659,297,546)
Acquisition of SFFC's shares	21.6	(**528,132,766**)	(121,867,234)	650,000,000	-	(528,132,766)
Acquisition of CSC's shares	21.6	-	-	-	(**500,000,000**)	(500,000,000)
Rental income	21.3	-	-	3,003,290	-	-
Rental expense	21.3	**2,213,728**	80,955	644,065	(**1,530,110**)	(57,748)
Donation	21.9(b)	**360,000**	180,000	360,000	(**360,000**)	(180,000)
Cash advances granted	21.4	(**32,410,566**)	(2,736,725)	(29,548,339)	**115,930,575**	148,341,141
Cash advances obtained	21.4	**36,239,823**	(527,012,651)	1,078,717,998	(**624,023,838**)	(587,784,015)
Right-of-use assets	9, 21.7	(**82,242,174**)	(34,346,043)	159,417,613	**43,029,396**	125,271,570
Lease liabilities	13.4, 21.7	**79,779,198**	(27,520,382)	150,824,376	(**43,524,796**)	(123,303,994)
Key management personnel —						
Compensation and benefits	21.8	**55,335,632**	53,729,336	51,439,571	-	-

The Group's outstanding receivables with related parties were subjected to impairment testing using PFRS 9's ECL model (see Note 27.2).

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

21.1 Charter Fees and Standby Charges

The Group entered into chartering agreements with PPPI, a related party under common ownership, and 2GO, an associate until 2020, which are made on the same terms as those transactions with third parties. The amounts of revenue recognized are presented as part of Charter fees and Standby charges under the Revenues section of the consolidated statements of profit or loss. The related outstanding receivable as of December 31, 2021 and 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 December 31, 2021 and 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 P112.0 million and P168.2 million as of December 31, 2021 and 2020, respectively, are included as part of the Inventories account in the consolidated statements of financial position (see Note 6). The outstanding liability, which are unsecured, and do not bear any interest as the credit terms range from 30 to 90 days, arising from these transactions as of December 31, 2021 and 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 Cost of Sales and Services in the consolidated statements of profit or loss (see Notes 16 and 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 consolidated statement of profit or loss (see Note 19.3). No similar transaction occurred in 2021 and 2020. There were also no outstanding receivables as of December 31, 2021 and 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 December 31, 2021 and 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:

	Parent Company	Associate	Related Parties under Common Ownership	Total
December 31, 2021				
Balance at beginning of year	P 980,378,702	P 271,874,967	P 148,341,141	P 1,400,594,810
Offsetting against sales proceeds	6,550,275,167	-	-	6,550,275,167
Collections	(123,948,969)	-	(32,410,566)	(156,359,535)
Balance at end of year	**P 7,406,704,900**	**P 271,874,967**	**P 115,930,575**	**P 7,794,510,442**
December 31, 2020				
Balance at beginning of year	P 663,194,269	P -	P 451,622,397	P 1,114,816,666
Advances obtained	317,184,433	271,874,967	-	589,059,400
Collections	-	-	(303,281,256)	(303,281,256)
Balance at end of year	P 980,378,702	P 271,874,967	P 148,341,141	P 1,400,594,810

In 2021, the Group executed the sale of its investment in 2GO. A portion of the consideration was used to partially pay the loan of the parent company (see Note 11).

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
Advances received		**36,239,823**	-
Repayments of advances		**-**	(266,615,985)
Offsetting against acquisition costs	10	**-**	(260,416,666)
Balance at end of year		**P 624,023,838**	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 P65.7 million and P57.7 million as of December 31, 2021 and 2020, respectively. As of December 31, 2021 and 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 21.3). As of December 31, 2021 and 2020, the outstanding liability from this transaction amounting to P500.0 million is presented as part of Non-trade payables under the Trade and Other Payables account in the consolidated statements of financial position (see Note 14).

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 24). The outstanding balance bears an effective interest of 6.50% per annum which subsequently paid in 2021. Interest expense recognized on this payable amounted to P38.4 million in 2020 (nil in 2021).

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 P43.0 million and P125.3 million, and P43.5 million and P123.3 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 consolidated statements of profit or loss (see Note 17). Interest expense arising from the lease liabilities is recognized as part of Finance costs under Other Income (Charges) in the consolidated statements of profit or loss (see Note 19.1).

In 2021, the Company has pre-terminated a lease contract related to a certain office space. The outstanding right-of-use asset and lease liabilities amounting to P65.6 million and P64.4 million, respectively, were derecognized resulting in the recognition of other income amounting to P4.5 million.

21.8 Key Management Personnel Compensation

The Group's key management personnel compensation includes short-term benefits and post-employment defined benefits amounting to P55.3 million, P53.7 million and P51.4 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 P0.4 million, P0.2 million and P0.4 million in 2021, 2020 and 2019, respectively, 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). The outstanding balance is presented as part of Trade and other payables account in the consolidated statements of financial position.

22. EQUITY

22.1 Capital Stock

In 2021 and 2020, capital stock consists of:

	Shares	Amount
Authorized - P1 par value		
Common shares	1,990,000,000	P 1,990,000,000
Preferred shares	10,000,000	10,000,000
Total	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	P 1,821,977,615

On March 27, 2017, CLC acquired all of UIBV's outstanding capital stock through a share swap agreement with Udenna wherein Udenna transferred to CLC 18,200 UIBV shares. In exchange, the Company issued 775,384,615 new common shares from its authorized and unissued capital stock in favor of Udenna (see Note 10). In addition, the Group recognized APIC amounting to P5,272,615,385.

On July 11, 2017, the SEC issued an Order approving the Registration Statement covering the securities, which comprised the Company's outstanding capital stock. On August 8, 2017, the Company's shares were listed in the PSE and the trading of offer shares commenced. The Company offered to the public 546,593,000 primary shares at an offer price of P10.68 per share for a total gross proceeds of P5.8 billion. In addition, the Group recognized the APIC amounting to P4,725,754,772, net of issuance costs amounting to P565,265,468. As at December 31, 2021 and 2020, the Company's listed shares closed at P1.62 and P5.21 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, 2021.

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 P414.8 million and from Udenna amounting to P305.6 million, totaling to P720.4 million was presented as Deposits on Future Stock Subscriptions under Equity section, pending approval of SEC of the amendments as of December 31, 2021. 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
Revaluation decrement	(97,809,298)	-	-	-	(97,809,298)
Remeasurements of post-employment benefit obligation	-	60,163,065	-	-	60,163,065
Currency exchange differences on translating financial statements of foreign operations	-	-	-	1,618,520	1,618,520
Other comprehensive income	(97,809,298)	60,163,065	-	1,618,520	(36,027,713)
Tax income	54,406,669	(12,431,905)	-	-	41,974,764
Other comprehensive income after tax	(43,402,629)	47,731,160	-	1,618,520	5,947,051
Transfer to retained earnings - Depreciation of revalued vessels	(156,473,908)	-	-	-	(156,473,908)
Balance at December 31, 2021	**P 968,152,254**	**P 80,458,336**	**P -**	**P 2,300,473**	**P 1,050,911,063**
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 decrement	(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	(127,408,885)	-	-	-	(127,408,885)
Balance at December 31, 2020	P 1,168,028,791	P 32,727,175	P -	P 681,953	P 1,201,437,920
Balance as of January 1, 2019	P 1,334,617,413	P 53,959,943	P 108,049,607	P 1,242,692	P 1,497,869,655
Revaluation increment	632,951,901	-	-	-	632,951,901
Remeasurements of post-employment benefit obligation	-	(9,799,526)	(26,478,210)	-	(36,277,736)
Currency exchange differences on translating financial statements of foreign operations	-	-	-	(715,045)	(715,045)
Other comprehensive income before tax	632,951,901	(9,799,526)	(26,478,210)	(715,045)	595,959,120
Tax income	(163,634,508)	4,484,214	-	-	(159,150,294)
Other comprehensive income after tax	469,317,393	(5,315,312)	(26,478,210)	(715,045)	436,808,826
Transfer to retained earnings - Depreciation of revalued vessels	(157,642,430)	-	-	-	(157,642,430)
Balance at December 31, 2019	P 1,646,292,376	P 48,644,631	P 81,571,397	P 527,647	P 1,777,036,051

22.3 Other Reserves

Other reserves amounting to P1.0 billion pertain to the excess of the net identifiable assets of CSC amounting to P3.0 billion over the Company's acquisition price of P2.0 billion. The business combination entered was accounted for under the pooling-of-interest method (see Note 21.6). Under this method, the assets and liabilities of the combining entities are reflected in the consolidated financial statements at their carrying amounts. No adjustments are made to reflect their fair values, or recognize new assets and liabilities.

22.4 Non-controlling Interest

The balance as at December 31, 2021 and 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).

In 2021, the Company acquired the Preferred B shares from its previous holders; hence, the share of NCI in KGLI-NM after its step acquisition was reclassified to Retained earnings.

22.5 Employee Stock Option Plan

On February 13, 2019, the BOD of the Company approved an Employee Stock Option Plan (the ESOP) covering all regular employees with at least one year of service from the date of grant. This was subsequently ratified by stockholders holding at least two-thirds of the outstanding capital stock on March 15, 2019. The objective of the ESOP is to recognize the loyalty, dedication and exemplary performance of the employees of the Company, thereby encouraging long-term commitment to the Company.

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

As of December 31, 2021 and 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 been exercised as at December 31, 2021 and 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.

A total of P5.9 million and P16.9 million is recognized for the years ended December 31, 2021 and 2020, respectively, and is included as part of Salaries and employee benefits under Operating Expenses in the 2021 and 2020 consolidated statements of profit or loss (see Note 18.1) and is credited to Share Options Outstanding in the Equity section of the consolidated statements of financial position. The outstanding share options as of December 31, 2021 and 2020 totaling to P4.6 million options and P2.5 million options, respectively.

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 3,905,266,957)**	(P 3,310,949,604)	(P 831,761,000)
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 2.143)**	(P 1.817)	(P 0.457)

In relation to the approved ESOP for eligible employees, the options exercisable by any of the option holders are considered as potentially anti-dilutive shares as at the end of December 31, 2021 and 2020. There were no outstanding convertible preferred shares and bonds or other stock equivalents as of December 31, 2021 and 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. The leases have terms from one to five years, with renewal options, and include annual escalation from 5.0% to 10.0%. As of December 31, 2019, the Group does not have operating lease commitments as a lessor as the leases have already expired during the year.

Rent income amounted to P5.1 million in 2019 and is presented as part of Other Income account under Other Income (Charges) – net section of the 2019 consolidated statement 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 P135.0 million, P155.1 million and P152.4 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 (see Note 26.5). Commitments relating to these agreements amounted to P99.0 million and P161.5 million as of December 31, 2021 and 2020, respectively.

To manage its risks over these operating leases, the Group's risk management strategy for the rights it retains in underlying assets, include buy-back agreements and residual value guarantees. There were no income recognized from variable lease payments on operating leases in 2021 and 2020.

24.3 Legal Claims

In 2016, Trans-Asia was a defendant of a litigation related to the sinking of MV Asia South Korea. The Regional Trial Court had provided a decision to award the plaintiffs of the case a total of P8.9 million for four casualties and 11 survivors. The Group's legal counsel has advised that it is probable that Trans-Asia will be found liable; hence, a provision for the claim has been made in the consolidated financial statements. On August 9, 2017, Trans-Asia and the plaintiffs signed a compromise agreement whereby Trans-Asia paid P8.8 million.

In October 2017, three other complainants of the similar litigation that was filed against the Company related to a dispute with passengers for the sinking of M/V Asia South Korea signed a compromise agreement with the Company to which Trans-Asia paid P0.5 million. A provision for the claim with probable settlement amount of P0.8 million has been made in the consolidated financial statements. On June 1, 2018, Trans-Asia and the two plaintiffs signed a compromise agreement whereby Trans-Asia paid P0.2 million. The outstanding liability is presented as Provisions under the Trade and Other Payables account in the consolidated statements of financial position (see Note 14).

24.4 Unused Lines of Credit

As of December 31, 2021 and 2020, the Group has unused lines of credit amounting to P2.5 million and P21.0 million, respectively.

24.5 Mergers and Acquisitions

On June 28, 2018, the Company received the Philippine Competition Commission's (PCC) Decision, which declared void the Company's acquisition of Trans-Asia in 2016 for failure to comply with the notification requirements of the PCC. A penalty of P22.8 million was imposed by PCC against the Company and Udenna. On the same date, in its Decision regarding the Company's acquisition of additional direct shareholdings in KGLI-NM and consequent consolidation of ownership over 2GO, the PCC upheld said acquisition on account that the Trans-Asia acquisition had been declared void.

On July 13, 2018, the Company filed its Motion for Reconsideration of the June 28, 2018 Decision of the PCC on the Trans-Asia acquisition, and on July 18, 2018, it filed its Motion for Partial Reconsideration of the PCC Decision on the KGLI-NM acquisition wherein it prayed that it be allowed to proceed with the transaction without the PCC's imposed condition voiding the acquisition of Trans-Asia.

Subsequently, on December 5, 2018, the Company received the order of the PCC setting the Trans-Asia and the KGLI-NM acquisitions for joint hearing on December 17, 2018. At said hearing, the Company's Chairman, Dennis A. Uy, confirmed that the Company intends to proceed with the acquisition of Trans-Asia and that it agrees to be bound by the PCC's conditions and remedies to address the competition concerns arising from the Trans- Asia acquisition.

On December 21, 2018, the Company and Trans-Asia filed their separate Notification Forms on the Trans-Asia acquisition. Subsequently, in its October 4, 2018 Resolution, the PCC ruled that the Company's Motion for Reconsideration of the June 28, 2018 Decision is denied for being moot. In the same Resolution, the PCC reduced the penalty earlier imposed on Udenna and the Company to 1% of the Trans-Asia transaction or P 11.4 million.

On October 9, 2018, the Notice of Sufficiency from the PCC regarding the Notification Forms for the Trans-Asia acquisition was received and the Company paid the imposed penalty on October 10, 2018.

On October 19, 2018, the Company filed its Voluntary Commitments for the Trans-Asia acquisition and on January 11, 2019, the PCC resolved that it will not take further action on the said acquisition on the basis of the conditions provided in the Voluntary Commitments submitted by the Company. The Voluntary Commitments submitted by the Company include among others, price monitoring of passenger and cargo rates, submission of semi-annual reports on all trips of passenger and cargo services in the critical routes, explanation of all extraordinary rates increases in the critical routes, and maintenance of service quality of passenger and cargo routes based on customer satisfaction index developed by a third party monitor.

On October 7, 2019, the Company, Trans-Asia and 2GO filed a Joint Manifestation and Compliance stating that the Parties are unable to comply with the Voluntary Commitments and, as a result, PCC ordered the setting aside of the Decision approving the Trans-Asia acquisition and reverting the transaction to merger review.

On October 25, 2019, the Company received the Request for Information / Documents issued by the PCC on the Trans-Asia acquisition, and on November 26, 2019, the PCC issued another order requiring the submission of additional documents / information largely pertaining to 2Go, which were both complied with by the Company.

On December 17, 2020, PCC issued a notice approving the acquisition by CLC of shares in TASLI through PCC Case No. M-2020-004.

24.6 Shipbuilding Agreements

On April 25, 2018, the Group signed two shipbuilding contracts for the delivery of two 98-meter bed/seat Ro-Ro type passenger ferry ships presently identified as Builder's Nos. S-1190 and S-1191. These ferry ships will be built at Kegoya Dock's shipyard in Hiroshima Prefecture, Japan. S-1190 was delivered on October 2019 while S-1199 was delivered on August 2020. As part of these shipbuilding agreements, the Group has paid an amount equivalent to P1,128.9 million and P180.6 million in 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 December 31, 2021 and 2020 and is presented as part of CIP under the Property and Equipment account of the 2020 consolidated statement of financial position. This was subsequently reclassified as part of Vessel and vessel equipment in the 2021 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 P232.6 million and P80.6 million as of December 31, 2021 and 2020, respectively.

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 gross carrying amount and accumulated impairment loss of goodwill as of December 31 are as follows:

	2021	2020
Cost	**P 1,848,378,146**	P1,848,378,146
Accumulated impairment loss	**(10,375,700)**	-
Net carrying amount	**P 1,838,002,446**	P 1,848,378,146

The movements of this account as of December 31 are as follows:

	2021	2020
Balance at beginning of year	**P 1,848,378,146**	P5,765,809,689
Impairment during the year	**(10,375,700)**	-
Reclassification to non-current asset held for sale	**-**	(3,917,431,543)
Balance at end of year	**P 1,838,002,446**	P 1,848,378,146

(a) 2020 Acquisitions

On May 11, 2020, the Company acquired 100% ownership interest of Preferred 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 NCI	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

NCI 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 fair values of the identifiable assets acquired and liabilities assumed from SFFC as at the date of acquisition are presented below:

Fair value of assets acquired		
Cash and cash equivalents	P	40,417,324
Trade and other receivables		6,233,897
Inventories		10,395,342
Other current assets		28,545,381
Property and equipment		904,341,940
Other non-current assets		58,861,116
Deferred tax assets		22,580,177
		1,071,375,177
Fair value of liabilities assumed		
Trade and other payables	(	160,009,581)
Interest-bearing loans	(	385,740,741)
	(	545,750,322)
Fair value of consideration transferred		525,624,855
Goodwill on acquisition	P	124,375,145

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) Impairment Testing

Goodwill recognized by the Group are significantly allocated to the following segments:

	2021	2020
Roll-on/roll-off passenger	**P 1,295,633,122**	P 1,295,633,122
Distribution and warehousing	**478,499,319**	478,499,319
Tankering	**63,870,005**	74,245,705
	P 1,838,002,446	P 1,848,378,146

Goodwill is subject to annual impairment testing as required under PAS 36, *Impairment of Assets*. In 2021 and 2020, the recoverable amounts of the cash-generating units were determined based on value-in-use calculations, which require use of various assumptions.

In 2021, the Group determined that the goodwill arising from the acquisition of BMI is no longer recoverable; hence, an impairment amounting to P10.4 million was recognized and is presented as Impairment loss on goodwill in the 2021 consolidated statement of profit or loss.

Management's impairment analysis for goodwill were based on budgets approved by management covering a five-year period, which were based on expectation of future outcomes taking into consideration past experience for five years, adjusted for anticipated revenue growth and recalibrated to incorporate COVID-19 impact on projections. The growth rates also reflect the long-term growth rates in the Philippines for the years presented.

	2021		2020	
	Average Discount Rate	Terminal Growth Rate	Average Discount Rate	Terminal Growth Rate
Roll-on/roll-off passenger	5.71%	3.70%	5.73%	3.70%
Distribution and warehousing	5.73%	3.70%	5.88%	3.70%
Tankering	9.31%	3.70%	8.13%	3.70%

On the other hand, in 2019, the Group engaged a third party consultant to perform an independent impairment testing of goodwill for UIBV. The third party consultant used market-based valuation methodologies based on the subsidiary's five year financial forecasts and used industry data and comparable metrics. Among these were trading analysis using comparable shipping and logistics companies that are publicly-listed within the Association of Southeast Asian Nations and analysis of precedent majority and minority stake transactions within the comparable industry in the Southeast Asian region. The third party consultant's valuation report was dated October 31, 2018 and management has assessed that there is no significant change since the date of the report until December 31, 2019. In 2020, such goodwill was reclassified as part of Non-current Asset Held for Sale, in connection with the sale of its investment in 2Go, as management assessed that the goodwill is attributable to the value of the 2Go investment and is considered part of such disposal group. The stake in 2Go was sold in 2021 (see Note 11).

Based on these analyses, management has assessed that no further impairment of goodwill is required to be recognized as of December 31, 2021 and 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 years ended December 31, 2021, 2020 and 2019 and assets and liabilities information regarding segments as at December 31, 2021 and 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 541,423,517	P 331,322,840	P 3,077,613,152	P 518,204,163	P -	P 4,468,563,672
Intersegment sales	253,021,310	-	45,344,633	72,284,948	-	391,737,680	763,288,574
Total revenues	253,021,310	541,423,517	376,667,473	3,149,898,100	518,204,163	391,737,680	5,231,852,246
Cost of sales and services	-	402,034,800	308,212,862	3,495,454,608	344,464,820	213,897,632	5,364,564,092
Other operating expenses	356,950,671	131,243,673	69,353,781	767,542,009	148,155,850	71,080,082	1,544,320,366
Expected credit losses on receivables	-	248,828,295	15,604,760	126,065,635	5,888,491	-	396,386,075
Finance costs	188,781,649	590,861,730	11,121,409	653,957,823	5,217,317	31,249,972	1,481,090,620
Share in net loss of associates	883,225,046	-	-	-	-	-	883,225,046
Gain on redemption of preferred shares	(355,489,306)	-	-	-	-	-	(355,489,306)
Gain on sale of asset held for sale	(154,824,713)	-	-	9,409,000	-	-	(144,805,713)
Impairment loss on goodwill	10,375,700	-	-		-	-	10,375,700
Finance income	(11,466)	(180,790)	(3,031)	(5,427,480)	(395,635)	(16,240)	(6,034,750)
Other loss (income)	(4,519,885)	200,826,442	-	(51,617,651)	(1,220,861)	(626,520)	142,531,535
Segment operating profit (loss)	(P 460,367,484)	(P 1,502,078,688)	(P 27,636,088)	(P 1,895,843,636)	P 15,688,027	(P 12,547,183)	(P 4,018,374,087)
SEGMENT ASSETS AND LIABILITIES							
Total assets	P 36,187,785,371	P 10,817,320,732	P 966,704,542	P 16,757,139,054	P 705,165,816	P 705,078,605	P 66,340,944,220
Total liabilities	P 20,835,523,934	P 9,707,857,141	P 422,694,286	P 17,748,930,033	P 466,876,746	P 452,839,723	P 49,632,906,862
2020							
SEGMENT RESULTS							
Sales to external customers	P -	P 1,208,236,892	P 350,402,253	P 2,656,714,663	P 367,758,484	P 115,403,076	P 4,676,919,363
Intersegment sales	138,623,701	-	63,846,396	153,200,000	-	436,206,728	891,976,125
Total revenues	138,623,701	1,208,236,892	414,548,647	2,809,914,663	367,758,484	551,609,804	5,570,895,488
Cost of sales and services	-	1,216,414,926	349,795,533	3,496,657,368	227,408,887	470,552,360	5,860,829,094
Other operating expenses	169,635,112	336,832,397	39,611,353	561,853,864	118,642,893	83,950,667	1,280,680,497
Expected credit losses on receivables	-	394,943,531	13,626,257	341,123,933	11,876,033	-	761,569,716
Finance costs	186,769,856	507,572,035	14,307,818	584,000,176	4,338,334	7,895,617	1,301,488,868
Share in net loss of associates	1,046,368,575	-					1,046,368,575
Finance income	(11,466)	(232,181)		(23,133,910)			(23,377,557)
Loss on remeasurement	315,699,809	-	-	-	-	-	315,699,809
Gain on sale of an associate	(983,615,152)	-	-	-	-	-	(983,615,152)
Loss on modification of debts	-	86,612,580	-	-	-	-	86,612,580
Gain on bargain purchase	(1,389,061,971)	-	-	-	-	-	(1,389,061,971)
Other loss (income)	166,756	(40,640,053)	409,416	(34,529,634)	(8,860)	(3,712,613)	(98,178,938)
Segment operating profit (loss)	P 572,505,500	(P 1,262,271,323)	(P 3,002,130)	(P 3,116,026,070)	P 5,691,205	(P 7,864,287)	(P 2,810,870,005)
SEGMENT ASSETS AND LIABILITIES							
Total assets	P 23,090,033,951	P 11,453,326,385	P 1,175,645,067	P 16,793,698,776	P 1,098,817,166	P 318,768,136	P 54,520,570,482
Total liabilities	P 29,177,066,103	P 9,834,316,282	P 541,213,863	P 16,603,693,763	P 815,531,246	P 242,595,792	P 56,986,436,993
2019							
SEGMENT RESULTS							
Sales to external customers	P -	P 1,979,682,852	P 338,321,437	P 4,302,915,392	P 458,661,860	P 141,634,496	P 7,220,216,041
Intersegment sales	388,311,679	-	80,156,825	10,200,000	-	455,525,516	934,194,436
Total revenues	388,311,679	1,979,682,852	418,478,262	4,313,115,392	458,661,860	597,160,012	8,154,410,470
Cost of sales and services	-	1,605,856,368	316,011,818	3,571,550,571	291,712,974	439,999,646	6,225,102,087
Other operating expenses	138,804,111	245,629,481	56,023,539	629,915,848	125,861,244	130,591,658	1,326,826,122
Finance costs	96,935,787	569,235,899	9,478,357	551,883,476	3,693,143	3,539,033	1,234,083,366
Share in net loss of associates	463,155,985						463,155,985
Finance income	(6,424,553)	(9,499,865)	(5,184)	(8,259,430)	(439,944)	(75,122)	(24,756,408)
Other loss (income)	129,471,624	(156,049,682)	(5,480,089)	(41,937,898)	(423,547)	(2,792,459)	(77,112,951)
Segment operating profit (loss)	(P 510,621,771)	(P 276,186,918)	P 61,152,766	(P 341,007,727)	P 78,254,183	P 25,968,840	(P 974,882,716)

	2021	2020	2019
Revenues			
Total segment revenues	P 5,231,852,246	P 5,570,895,488	P 8,154,410,470
Elimination of intersegment revenues	(763,288,574)	(891,976,125)	(934,194,428)
Reported in profit or loss	P 4,468,563,672	P 4,678,919,363	P 7,220,216,042
Profit or loss			
Segment operating profit (loss)	(P 4,043,374,047)	(P 2,810,970,005)	(P 974,842,735)
Other unallocated income	-	-	2,342,833
Other unallocated expense	72,628,399	(90,578,553)	-
Profit before tax as reported in profit or loss	(P 3,970,745,648)	(P 2,901,548,558)	(P 972,499,902)
Assets			
Segment Assets	P 66,148,914,220	P 54,538,570,482	
Elimination of intercompany accounts	(32,026,446,455)	(17,183,938,108)	
Total assets as reported in the consolidated statement of financial position	P 34,122,467,765	P 37,354,632,374	
Liabilities			
Segment Liabilities	49,632,906,842	46,986,406,908	
Elimination of intercompany accounts	(21,160,697,612)	(19,117,580,951)	
Total liabilities as reported in the consolidated statement of financial position	P 28,472,209,230	P 27,868,825,957	

26.5 Disaggregation of Revenues from Contracts with Customers

The disaggregation of revenues based on the timing of satisfaction of performance obligations for the year ended December 31, 2021, 2020 and 2019 is presented below.

	2021	2020	2019
Revenues recognized over time:			
Freight	P 2,727,204,296	P 2,096,912,751	P 2,687,530,467
Charter fees	551,986,776	1,094,621,985	1,889,509,748
Other service revenues	518,914,366	483,361,560	660,478,934
Tugboat fees	327,677,892	350,602,251	338,321,437
Passage	292,861,800	500,941,882	1,423,269,213
	4,418,645,130	4,526,440,429	6,999,109,799
Revenues recognized at a point in time:			
Sale of goods	48,301,315	82,597,614	127,599,231
Standby charges	1,617,227	69,881,320	93,507,012
	49,918,542	152,478,934	221,106,243
Total revenues	P 4,468,563,672	P 4,678,919,363	P 7,220,216,042

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 28. The main types of risks are market risk, credit risk and liquidity risk.

The Group's risk management is coordinated with its parent Company, in close cooperation with the BOD, and focuses on actively securing the Group's short to medium-term cash flows by minimizing the exposure to financial markets.

The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The relevant financial risks to which the Group is exposed to are described below.

27.1 Market Risks

The Group is exposed to market risk through its use of financial instruments and specifically to foreign currency risk and interest rate risk which result from both its operating, investing and financing activities.

(a) Foreign Currency Risk

Most of the Group's transactions are carried out in Philippine pesos, its functional currency. Exposures to currency exchange rates arise from the Group's cash, trade and other receivables and interest-bearing loans, which are denominated in U.S. dollars.

To mitigate the Group's exposure to foreign currency risk, non-Philippine peso cash flows are monitored.

U.S. dollar denominated financial assets and financial liabilities, translated into Philippine pesos at the December 31, 2021 and 2020 closing rates follow:

	2021	2020
Financial assets	**P 855,273**	P 1,176,174
Financial liabilities	**(279,257,000)**	-
Net exposure	**(P 278,401,727)**	P 1,176,174

If the Philippine peso had strengthened against the U.S. dollar, loss before tax in 2021 and 2020 would have decreased by P31.5 million and P0.1 million, respectively. If the Philippine peso had weakened against the U.S. dollar, then this would have increased loss before tax in 2021 and 2020, respectively, by the same amount. This sensitivity of the net result for the period assumes a +/-11.30% and +/- 9.51% change of the Philippine peso/U.S. dollar exchange rate for the years ended December 31, 2021 and 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 December 31, 2021 and 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 +/- 1.43% and +/- 0.94% in 2021 and 2020, respectively. Bank loans, which vary with certain foreign interest rates, are tested on a reasonably possible change of +/- 0.11% and +/- 0.10% 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 +/- P3.6 million and +/-P3.3 million for the years ended December 31, 2021 and 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 269,690,887**	P 139,206,973
Trade and other receivables – net (excluding advances to officers and employees)	5	**1,035,309,743**	1,561,579,436
Restricted cash	7, 12	**6,578,382**	6,578,380
Security deposits	12	**88,502,533**	88,046,332
Advances to related parties	21.4	**7,794,510,442**	1,400,594,810
		P 9,194,591,987	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 December 31, 2021 and 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 December 31, 2021 and 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
December 31, 2021					
Expected loss rate	0.00%	14.25%	24.26%	77.33%	
Gross carrying amount - trade receivables	433,876,040	82,255,646	302,124,712	1,262,389,763	2,080,526,101
Loss allowance	-	11,711,117	73,289,317	874,122,865	1,059,123,358
December 31, 2020					
Expected loss rate	0.00%	21.79%	31.64%	67.00%	
Gross carrying amount - trade receivables	674,784,305	178,871,647	188,240,134	1,055,894,914	2,058,581,695
Loss allowance	-	38,339,137	34,416,983	708,217,772	781,373,891

In 2021 and 2020, the Group recognized ECL amounting to P396.4 million and P761.6 million, respectively, and is presented as a separate line time in the consolidated statements 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.

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.

Furthermore, the Group's advances to related parties are repayable on demand and the contractual period refers only to the short period needed to transfer the cash once demanded. Management determines possible impairment based on the related party's ability to repay the advances upon demand at the reporting date, taking into consideration historical defaults from the related parties. The Group also considers possible recovery strategies and the expected manner in which those will be realized and cash would be available for payment of the advances. Management assessed that the outstanding advances from related parties as of December 31, 2021 and 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.

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.

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, 2021, 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 4,385,292,957	P 1,826,153,642	P 9,952,673,133	P 3,053,531,104
Trade and other payables (except for government-related obligations)	14	7,721,188,901	-	-	-
Advances from related parties	21.4	312,011,919	312,011,919	-	-
		P 12,418,493,777	P 2,138,165,561	P 9,952,673,133	P 3,053,531,104

As at December 31, 2020, the Group's financial 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	7,055,335,124	-	-	-
Advances from related parties	21.4	293,892,007	293,892,008	-	-
		P 10,306,173,162	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.

		December 31, 2021		December 31, 2020	
	Notes	Carrying Amounts	Fair Values	Carrying Amounts	Fair Values
Financial Assets:					
At amortized cost:					
Cash and cash equivalents	4	P 269,690,887	P 269,690,887	P 139,206,973	P 139,206,973
Trade and other receivables - net	5	1,023,309,743	1,023,309,743	1,561,579,436	1,561,579,436
Restricted cash	7, 12	6,578,382	6,578,382	6,578,382	6,578,382
Security deposits	12	98,502,533	98,502,533	88,046,332	88,046,332
Advances to related parties	21.4	7,796,510,442	7,796,510,442	1,400,596,810	1,400,596,810
Financial Assets at FVTPL —					
Equity securities	7	-	-	2,266,150	2,266,150
		P 9,194,591,987	P 9,194,591,987	P 3,198,272,083	P 3,198,272,083
Financial Liabilities:					
At amortized cost:					
Trade and other payables	14	P 7,721,388,901	P 7,721,388,901	P 7,055,335,124	P 7,055,335,124
Interest-bearing loans	13	18,129,429,297	18,526,431,595	17,006,971,226	16,785,302,656
Advances from related parties	21.4	624,023,838	624,023,838	507,784,015	507,784,015
Redeemable preference shares	15	-	-	1,230,436,441	1,230,436,441
		P 26,474,842,036	P 26,871,844,334	P 25,800,526,806	P 25,578,858,236

See Notes 2.5 and 2.11 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 P7,555.6 million and P1,470.1 million as of December 31, 2021 and 2020, respectively, may be offset against the outstanding balances of trade and other payables and cash advances obtained from related parties totaling P3,972.9 million and P4,281.4 million as of December 31, 2021 and 2020, respectively.

In 2021, the Group executed the sale of its investment in 2GO. A portion of the consideration was used to partially pay the loan of the parent company (see Note 21.4).

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). None of these certain receivables were set off against the related interest-bearing loans in both years.

Certain cash balances are also restricted for use to secure line of credits with banks (see Notes 7 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 December 31, 2020 (nil in 2021) and is presented in the 2020 consolidated statement of financial position.

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

	December 31, 2021			
	Level 1	Level 2	Level 3	Total
Financial Assets:				
At amortized cost:				
Cash and cash equivalents	P 269,690,887	P -	P -	P 269,690,887
Trade and other receivables - net	-	-	1,035,309,742	1,035,309,742
Restricted cash	6,578,382	-	-	6,578,382
Security deposits	-	-	88,502,533	88,502,533
Advances to related parties	-	-	7,794,510,442	7,794,510,442
	P 276,269,269	P -	P 8,918,322,718	P 9,194,591,987
Financial Liabilities:				
At amortized cost:				
Trade and other payables	P -	P -	P 7,721,188,901	P 7,721,188,901
Interest-bearing loans	-	-	18,079,429,297	18,079,429,297
Advances from related parties	-	-	624,023,838	624,023,838
	P -	P -	P 26,424,642,036	P 26,424,642,036

	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	7,055,335,124	P	7,055,335,124
Interest-bearing loans		-		-		17,006,971,226		17,006,971,226
Advances from related parties		-		-		587,784,015		587,784,015
Redeemable preference shares		-		-		1,230,436,441		1,230,436,441
	P	-	P	-	P	25,880,526,806	P	25,880,526,806

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 fair value of land was derived using the market comparable approach that reflects the recent transaction prices for similar properties in nearby locations. Under this approach, when sales prices of comparable land in close proximity are used in the valuation of the subject property with adjustments on the price for the differences in key attributes such as property size, zoning, and accessibility, the fair value is included in Level 3. On the other hand, if the observable recent prices of the reference properties were not adjusted, the fair value is included in Level 2. The most significant input into this valuation approach is the price per square meter of the land; hence, the higher the price per square meter, the higher the fair value. For the construction-in-progress, management considers that the carrying amount of the investment property approximates its fair value as the capitalized costs pertain to recent transactions incurred for the on-going construction.

As at December 31, 2021 and 2020, the fair value of the land classified under investment properties amounted to P1,520.1 million as determined by reference to current prices for similar properties in the same location and condition. Accordingly, the Company's investment properties as at December 31, 2021 and 2020 is not impaired.

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 28,472,209,230**	P 27,868,825,957
Total equity	**5,650,258,535**	9,485,806,417
Debt-to-equity ratio	**5.04 : 1.00**	2.94 : 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 (see Note 13).

The Group sets the amount of capital in proportion to its overall financing structure, i.e., equity and total liabilities. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may issue new shares or sell assets to reduce debt.

31. SUPPLEMENTAL INFORMATION ON NON-CASH ACTIVITIES

Discussed below are the supplemental information on non-cash investing and financing activities relative to the consolidated statements of cash flows of the Group.

(a) In 2021, the Group sold its investment in 2GO for a total consideration of P7,460.3 million to a third parties. Portion of the consideration amounting to P6,550.3 million was offset against a loan of the parent company and is formed part of Advances to Related Parties in the 2021 consolidated statement of financial position. Remaining balance of the consideration was used to acquire the Preferred B shares of KGLI-NM from its previous owner.

(b) In 2021 and 2020, the Group recognized right-of-use assets and lease liabilities, with outstanding balances amounting to both P1.2 billion and are presented as part of Property of Equipment and Interest-bearing Loans and Borrowings in the consolidated statements of financial position. In 2021, the Group has pre-terminated a lease of an office space with right-of-use assets and lease liabilities amounting to P65.6 million and P64.4 million (see Notes 9 and 13).

(c) In 2020, the Group sold its investment in Dito to DHC for a total consideration of P4.1 billion, with assumption of outstanding subscription payable amounting to P3.6 billion. Portion of the consideration amounting to P260.4 million was offset against the existing advances of DHC to the Group. The Group also recognized a gain on the sale amounting to P983.6 million (see Note 10).

(d) In 2020, the Group reclassified its investment in 2GO as Non-current Assets Held for Sale. Goodwill previously recognized from the acquisition of UIBV was assessed as part of the disposal group and was also reclassified as part of Non-current Assets Held for Sale. Total reclassification amounted to P7.3 billion (see Notes 11 and 25).

(e) The Group acquired certain transportation equipment through obtaining mortgage loans from a local bank totalling P22.6 million and P21.6 million in 2020 and 2019, respectively (see Notes 9 and 13). There was no similar transaction in 2021.

(f) In 2019, the Group acquired all the outstanding shares of The Supercat Fast Ferry Corporation from 2GO amounting to P650.0 million. The outstanding balance is subsequently paid in 2021.

P&A Grant Thornton

Report of Independent Auditors to Accompany Supplementary Information Required by the Securities and Exchange Commission Filed Separately from the Basic Consolidated Financial Statements

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

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of Chelsea Logistics and Infrastructure Holdings Corp. and Subsidiaries (the Group) for the year ended December 31, 2021, on which we have rendered our report dated March 29, 2022. Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The applicable supplementary information (see List of Supplementary Information) is presented for purposes of additional analysis in compliance with the requirements of Revised Securities Regulation Code Rule 68, and is not a required part of the basic consolidated financial statements prepared in accordance with Philippine Financial Reporting Standards. Such supplementary information is the responsibility of the Group's management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

PUNONGBAYAN & ARAULLO

By: Ramilito L. Nañola
Partner

CPA Reg. No. 0090741
TIN 109-228-427
PTR No. 8852340, January 3, 2022, Makati City
SEC Group A Accreditation
Partner - No. 0395-AR-4 (until Sept. 16, 2022)
Firm - No. 0002 (until Dec. 31, 2024)
BIR AN 08-002511-19-2020 (until Dec. 21, 2023)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

March 29, 2022

CHELSEA LOGISTICS AND INFRASTRUCTURE HOLDINGS CORP. AND SUBSIDIARIES

(Formerly Chelsea Logistics Holdings Corp.)

(A Subsidiary of Udenna Corporation)

SCHEDULE A - FINANCIAL ASSETS

DECEMBER 31, 2021

(Amounts in Philippine Pesos)

Name of issuing entity and association of each issue (i)	*Number of shares or principal amount of bonds or notes*	*Amount shown on the balance sheet*	*Valued based on the market quotation at end of reporting period*	*Income received and accrued*

- Nothing to report -

CHELSEA LOGISTICS AND INFRASTRUCTURE HOLDINGS CORP. AND SUBSIDIARIES
(Formerly Chelsea Logistics Holdings Corp.)
(A Subsidiary of Udenna Corporation)
SCHEDULE B - AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)
DECEMBER 31, 2021
(Amounts in Philippine Pesos)

			Deductions		Ending Balance		
Name and designation of debtor	*Balance at beginning of period*	*Additions*	*Amounts collected*	*Amounts written off*	*Current*	*Non-current*	*Balance at end of period*
Advances to Related Parties							
Stockholders	P 28,712,637	-	P 28,712,637	-	-	-	-

CHELSEA LOGISTICS AND INFRASTRUCTURE HOLDINGS CORP. AND SUBSIDIARIES
(Formerly Chelsea Logistics Holdings Corp.)
(A Subsidiary of Udenna Corporation)
SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED
DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
DECEMBER 31, 2021
(Amounts in Philippine Pesos)

Name and designation of debtor	Affected Accounts	Balance at beginning of year	Additions	Deductions: Amounts collected	Deductions: Amounts written off	Ending Balance: Current	Ending Balance: Not current	Balance at end of year
Chelsea Logistics and Infrastructure Holdings Corp.	Trade Receivables	484,128,342	284,391,868	109,351,173	-	659,169,037.62	-	659,169,038
Trans-Asia Shipping Lines Inc.	Trade Payables	263,611,322	96,243,453	23,752,038	-	336,102,736.79	-	336,102,737
PNX- Chelsea Shipping Corp.	Trade Payables	9,483,120	11,053,102	5,875,024	-	14,661,197.94	-	14,661,198
Worklinks Services Inc.	Trade Payables	20,052,656	34,533,615	13,969,620	-	40,616,651.42	-	40,616,651
Chelsea Shipping Corp.	Trade Payables	25,539,987	19,266,615	7,609,222	-	37,197,379.34	-	37,197,379
Davao Gulf Marine Services Inc.	Trade Payables	14,459,059	8,186,522	2,171,732	-	20,473,848.19	-	20,473,848
Chelsea Ship Management & Marine Services Corp.	Trade Payables	3,873,905	1,947,965	1,928,918	-	3,892,951.73	-	3,892,952
Fortis Tugs Corporation	Trade Payables	9,177,057	11,949,823	13,349,919	-	7,776,960.26	-	7,776,960
Quality Metal & Shipworks, Inc.	Trade Payables	11,731,961	1,475,305	197,585	-	13,009,680.63	-	13,009,681
Michael, Inc.	Trade Payables	563,661	-	67,866	-	495,794.77	-	495,795
Dynamic Cuisine, Inc.	Trade Payables	5,573,863	1,137,546	153,684	-	6,557,725.09	-	6,557,725
Chelsea Marine Manpower Resources, Inc.	Trade Payables	1,857,516	1,418,144	1,991,247	-	1,284,412.85	-	1,284,413
Bunkers Manila, Inc.	Trade Payables	2,457,604	-	-	-	2,457,603.76	-	2,457,604
Starsy Shoppe, Inc.	Trade Payables	1,611,765	364,194	48,776	-	1,927,182.80	-	1,927,183
Oceanstar Shipping Corp.	Trade Payables	3,237,480	1,575,941	105,532	-	4,707,888.58	-	4,707,889
CD Ship Management & Marine Services Corp.	Trade Payables	2,821,101	1,923,264	983,609	-	3,760,756.55	-	3,760,757
Starlite Ferries, Inc.	Trade Payables	103,176,192	90,330,380	36,746,489	-	156,760,083.08	-	156,760,083
Starbites Food Services Corp.	Trade Payables	4,900,093	2,986,002	399,911		7,486,183.84	-	7,486,184
Chelsea Ship Management & Marine Services Corp.	Trade Receivables	16,481,091	38,959,298	24,047,425	-	31,392,964	-	31,392,964
Fortis Tugs Corporation	Trade Payables	2,305,875	4,480,813	5,242,216	-	1,544,472	-	1,544,472
Michael, Inc.	Trade Payables	2,425,695	1,033,540	3,004,807	-	454,428	-	454,428
Bunkers Manila, Inc.	Trade Payables	72,583	-	786,361	-	(713,778)	-	(713,778)
Chelsea Shipping Corp.	Trade Payables	12,160,011	21,747,055	15,014,042	-	18,893,025	-	18,893,025
PNX-Chelsea Shipping Corp.	Trade Payables	(483,073)	11,697,889	(0)	-	11,214,816	-	11,214,816
CD Ship Management & Marine Services Corp.	Trade Receivables	22,390,648	29,441,664	23,065,959	-	28,766,353	-	28,766,353
PNX-Chelsea Shipping Corp.	Trade Payables	37,266	7,257,600	5,338,566	-	1,956,300	-	1,956,300
Starlite Ferries, Inc.	Trade Payables	9,654,400	16,539,264	17,727,393	-	8,466,272	-	8,466,272
Trans-Asia Shipping Lines, Incorporated	Trade Payables	12,698,981	5,644,800	-	-	18,343,781	-	18,343,781
Chelsea Marine Manpower Resources, Inc.	Trade Receivables	101,772,507	329,027,184	276,072,019	-	153,690,790	-	153,690,790
PNX-Chelsea Shipping Corp.	Trade Payables	22,384,740	60,753,108	20,053,493	-	63,084,355	-	63,084,355
Starlite Ferries, Inc.	Trade Payables	8,859,044	58,253,974	47,708,710	-	19,404,308	-	19,404,308
Chelsea Shipping Corp.	Trade Payables	30,872,978	101,685,492	88,408,098	-	44,150,372	-	44,150,372
Fortis Tugs Corporation	Trade Payables	8,363,903	32,572,254	35,089,628	-	5,846,529	-	5,846,529
Michael, Inc.	Trade Payables	2,789,061	10,856,219	5,844,168	-	7,801,112	-	7,801,112
Davao Gulf Marine Services, Inc.	Trade Payables	4,816,553	13,238,621	14,433,678	-	3,621,497	-	3,621,497
Bunkers Manila, Inc.	Trade Payables	2,786,889	3,817,172	2,974,540	-	3,629,520	-	3,629,520
Trans-Asia Shipping Lines Inc.	Trade Payables	19,828,134	44,007,655	61,559,704	-	2,276,086	-	2,276,086
Southwest Gallant Ferries, Inc.	Trade Payables	250,110	-	-	-	250,110	-	250,110
The Supercat Fast Ferry Corporation	Trade Payables	821,095	3,842,689	1,036,882	-	3,626,901	-	3,626,901
Chelsea Shipping Corp.	Trade Receivables	981,366	-	981,366	-	-	-	-
Fortis Tugs Corporation	Trade Payables	-	-	-	-	-	-	-
Chelsea Ship Management & Marine Services Corp.	Trade Payables	464,081	-	464,081	-	-	-	-
Bunkers Manila, Inc.	Trade Payables	517,285	-	517,285	-	-	-	-
Chelsea Marine Manpower Resources, Inc.	Trade Payables	-	-	-	-	-	-	-
Fortis Tugs Corporation	Trade Receivables	54,724,068	36,282,353	51,412,300	-	39,594,122	-	39,594,122
Trans-Asia Shipping Lines Inc.	Trade Payables	8,977,640	2,342,620	-	-	11,320,260	-	11,320,260
Starlite Ferries, Inc.	Trade Payables	46,016	58,800	81,200	-	23,616	-	23,616
Chelsea Shipping Corp.	Trade Payables	21,532,800	9,280,400	28,217,000	-	2,596,200	-	2,596,200
Bunkers Manila, Inc.	Trade Payables	-	44,800	-	-	44,800	-	44,800
Michael, Inc.	Trade Payables	362,400	72,800	270,000	-	165,200	-	165,200
PNX- Chelsea Shipping Corp.	Trade Payables	11,300,086	4,800,800	9,462,000	-	6,638,886	-	6,638,886
Starlite Gallant Ferries, Inc.	Trade Payables	282,100	-	282,100	-	-	-	-
Davao Gulf Marine Services Inc.	Trade Payables	12,223,027	19,077,333	13,100,000	-	18,200,360	-	18,200,360
The Supercat Fast Ferry Corporation	Trade Payables	-	604,800	-	-	604,800	-	604,800
TASLI Services, Inc.	Trade Receivables	2,016,000	41,318,060	31,060,532	-	12,273,528	-	12,273,528
Trans-Asia Shipping Lines Inc.	Trade Payables	2,016,000	41,318,060	31,060,532	-	12,273,528	-	12,273,528
Starlite Ferries, Inc.	Trade Receivables	24,640,000	-	-	-	24,640,000	-	24,640,000
The Supercat Fast Ferry Corporation	Trade Payables	24,640,000	-	-	-	24,640,000	-	24,640,000
PNX- Chelsea Shipping Corp.	Trade Receivables	17,920,000	-	-	-	17,920,000	-	17,920,000
Trans-Asia Shipping Lines Inc.	Trade Payables	17,920,000	-	-	-	17,920,000	-	17,920,000
Starlite Gallant Ferries, Inc.	Trade Receivables	300,135,000	290,304,000	13,776,132	-	576,662,868	-	576,662,868
Trans-Asia Shipping Lines Inc.	Trade Payables	128,400,000	75,264,000	4,176,132	-	199,487,868	-	199,487,868
Starlite Ferries, Inc.	Trade Payables	171,735,000	215,040,000	9,600,000	-	377,175,000	-	377,175,000
Trans-Asia Shipping Lines Inc.	Dividends receivable	9,500,000	-	-	-	9,500,000	-	9,500,000
Quality Metal & Shipworks, Inc.	Dividends payable	5,000,000	-	-	-	5,000,000	-	5,000,000
Dynamic Cuisine, Inc.	Dividends payable	1,500,000	-	-	-	1,500,000	-	1,500,000
Starsy Shoppe, Inc.	Dividends payable	3,000,000	-	-	-	3,000,000	-	3,000,000

-/-

CHELSEA LOGISTICS AND INFRASTRUCTURE HOLDINGS CORP. AND SUBSIDIARIES
(Formerly Chelsea Logistics Holdings Corp.)
(A Subsidiary of Udenna Corporation)
SCHEDULE D - INTANGIBLE ASSETS
DECEMBER 31, 2021
(Amounts in Philippine Pesos)

Description	*Beginning balance*	*Additions at cost*	*Charged to cost and expenses*	*Charged to other accounts*	*Other changes additions (deductions)*	*Ending balance*
Goodwill	P 1,848,378,146	-	P 10,375,700	-	-	P 1,838,002,446
Software	32,911,807	6,565,440	3,373,241	-	-	36,104,006
	P 1,881,289,953	**P 6,565,440**	**P 13,748,941**	**-**	**-**	**P 1,874,106,452**

CHELSEA LOGISTICS AND INFRASTRUCTURE HOLDINGS CORP. AND SUBSIDIARIES

(Formerly Chelsea Logistics Holdings Corp.)

(A Subsidiary of Udenna Corporation)

SCHEDULE E - LONG-TERM DEBT

DECEMBER 31, 2021

(Amounts in Philippine Pesos)

Title of issue and type of obligation	*Amount authorized by indenture*	*Amount shown under caption"Current portion of long-term debt" in related balance sheet*	*Amount shown under caption"Long-Term Debt" in related balance sheet*
Term loans	P 11,736,679,383	P 1,332,065,820	P 9,171,438,524
Bank loans	5,133,798,419	4,349,287,368	126,910,000
Mortgage loans	192,608,573	28,895,025	163,713,548
Lease Liabilities	2,907,119,012	335,000,817	2,572,118,195
	P 19,970,205,387	**P 6,045,249,030**	**P 12,034,180,267**

CHELSEA LOGISTICS AND INFRASTRUCTURE HOLDINGS CORP. AND SUBSIDIARIES

(Formerly Chelsea Logistics Holdings Corp.)

(A Subsidiary of Udenna Corporation)

SCHEDULE F - INDEBTEDNESS TO RELATED PARTIES (LONG-TERM LOANS FROM RELATED COMPANIES)

DECEMBER 31, 2021

(Amounts in Philippine Pesos)

Name of related party	*Balance at beginning of year*	*Balance at end of year*

- Nothing to report -

CHELSEA LOGISTICS AND INFRASTRUCTURE HOLDINGS CORP. AND SUBSIDIARIES
(Formerly Chelsea Logistics Holdings Corp.)
(A Subsidiary of Udenna Corporation)
SCHEDULE G - GUARANTEE OF SECURITIES OF OTHER ISSUERS
DECEMBER 31, 2021
(Amounts in Philippine Pesos)

Name of issuing entity of securities guaranteed by the company for which this statement is filed	*Title of issue of each class of securities guaranteed*	*Total amount of guaranteed and outstanding*	*Amount owned by person for which statement is filed*	*Nature of guarantee*

- Nothing to report -

CHELSEA LOGISTICS AND INFRASTRUCTURE HOLDINGS CORP. AND SUBSIDIARIES
(Formerly Chelsea Logistics Holdings Corp.)
(A Subsidiary of Udenna Corporation)
SCHEDULE H - CAPITAL STOCK
DECEMBER 31, 2021

Title of Issue	*Number of Shares Authorized*	*Number of Shares Issued and Outstanding under Related Balance*	*Number of Shares. Reserved for Options, Warrants, Conversions*	*Number or Shares Held By*		
				Related Parties (Parent, Affiliates)	*Directors, Officers and Employees*	*Others*
Common Shares	1,990,000,000	1,821,977,615	Not Applicable	1,275,384,606	2,454,808	544,138,201
Preferred Shares	10,000,000	-	Not Applicable	-	-	-

CHELSEA LOGISTICS AND INFRASTRUCTURE HOLDINGS CORP. AND SUBSIDIARIES
(Formerly Chelsea Logistics Holdings Corp.)
(A Subsidiary of Udenna Corporation)
Stella Hizon Reyes Road, Bo. Pampanga, Davao City

Reconciliation of Retained Earnings Available for Dividend Declaration
For the Year Ended December 31, 2021

RETAINED EARNINGS AT BEGINNING OF YEAR *(As Presented in the 2020 Audited Financial Statements)*		P 1,218,334
Less: Deferred tax income		(13,927,414)
DEFICIT AT BEGINNING OF YEAR *(As Adjusted)*		(12,709,080)
Net Income Actually Incurred during the Year		
Net income for the year	P 88,740,881	
Less: Deferred tax income	(2,690,164)	86,050,717
RETAINED EARNINGS AT END OF YEAR		**P 73,341,637**

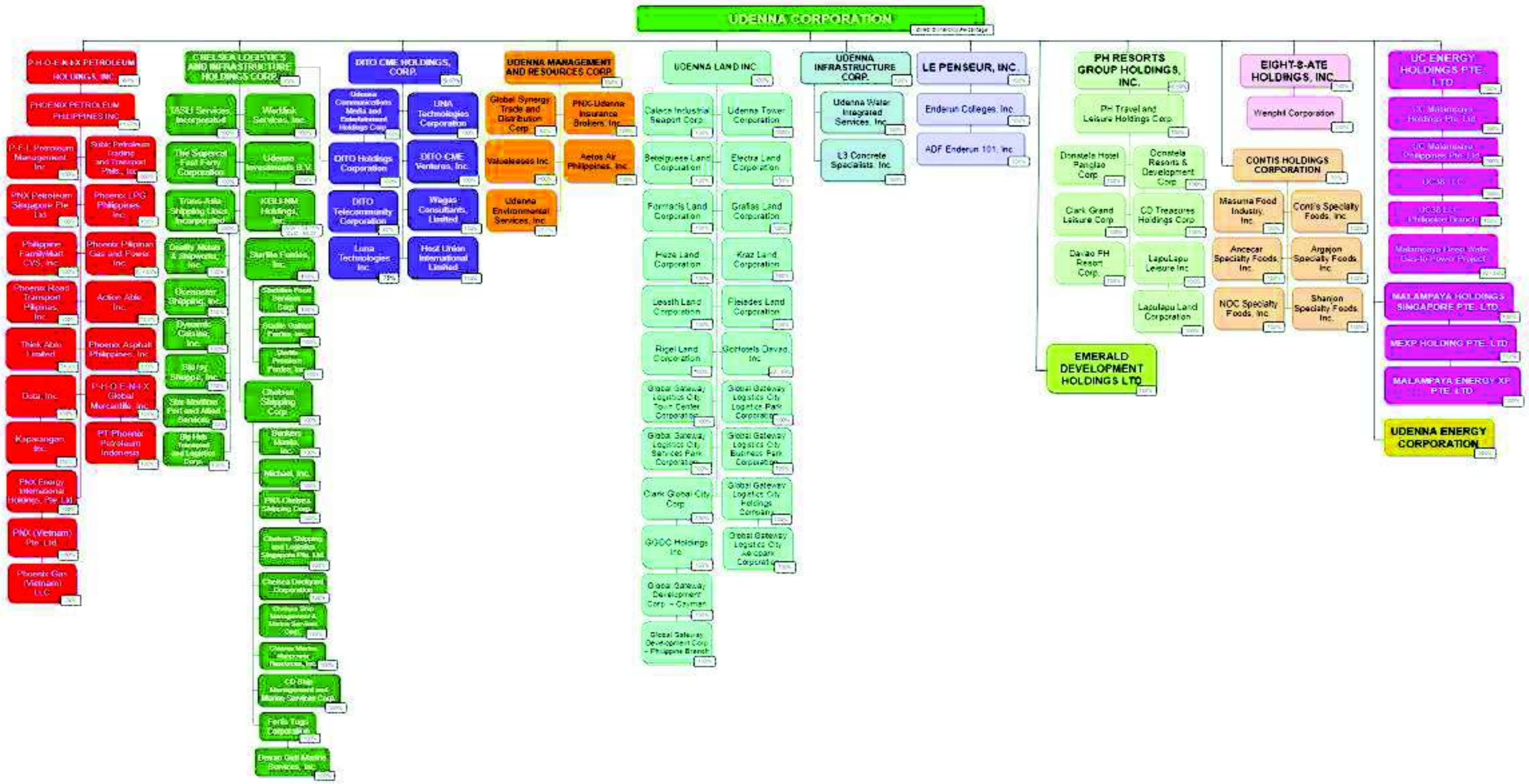
CHELSEA LOGISTICS AND INFRASTRUCTURE HOLDINGS CORP. AND SUBSIDIARIES

(Formerly Chelsea Logistics Holdings Corp.)

(A Subsidiary of Udenna Corporation)

Map Showing the Relationship Between and Among Related Entities

December 31, 2021



Report of Independent Auditors on Components of Financial Soundness Indicators

Punongbayan & Araullo
20th Floor, Tower 1
The Enterprise Center
6766 Ayala Avenue
1200 Makati City
Philippines

T +63 2 8988 2288

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

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of Chelsea Logistics and Infrastructure Holdings Corp. and Subsidiaries (the Group) for the year ended December 31, 2021, on which we have rendered our report dated March 29, 2022. Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purposes of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021 and no material exceptions were noted.

PUNONGBAYAN & ARAULLO

By: Ramilito L. Nañola
Partner

CPA Reg. No. 0090741
TIN 109-228-427
PTR No. 8852340, January 3, 2022, Makati City
SEC Group A Accreditation
Partner - No. 0395-AR-4 (until Sept. 16, 2022)
Firm - No. 0002 (until Dec. 31, 2024)
BIR AN 08-002511-19-2020 (until Dec. 21, 2023)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

March 29, 2022

CHELSEA LOGISTICS AND INFRASTRUCTURE HOLDINGS CORP. AND SUBSIDIARIES
(Formerly Chelsea Logistics Holdings Corp.)
(A Subsidiary of Udenna Corporation)
FINANCIAL SOUNDNESS INDICATORS
DECEMBER 31, 2021, 2020 and 2019
(Amounts in Philippine Pesos)

	2021		2020		2019	
I. CURRENT/LIQUIDITY RATIOS						
Current Ratio						
Current Assets	11,038,120,177		4,988,454,660		5,054,626,005	
Current Liabilities	16,135,133,300	0.68	16,760,814,025	0.30	18,077,287,660	0.28
Acid Test Ratio						
Current Assets - Inventories and Other Current Assets	9,119,442,247		3,128,250,551		3,419,164,187	
Current Liabilities	16,135,133,300	0.57	16,760,814,025	0.19	18,077,287,660	0.19
II. SOLVENCY RATIOS						
Debt-to-assets Ratio						
Total Liabilities	28,472,209,230		27,868,825,957		28,550,652,121	
Total Assets	34,122,467,765	0.83	37,354,632,374	0.75	41,004,197,509	0.70
III. DEBT-TO-EQUITY RATIO						
Debt-to-equity Ratio						
Total Liabilities	28,472,209,230		27,868,825,957		28,550,652,121	
Total Equity	5,650,258,535	5.04	9,485,806,417	2.94	12,453,545,388	2.29
ASSET-TO-EQUITY RATIO						
Asset-to-equity Ratio						
Total Assets	34,122,467,765		37,354,632,374		41,004,197,509	
Total Equity	5,650,258,535	6.04	9,485,806,417	3.94	12,453,545,388	3.29
IV. INTEREST RATE COVERAGE RATIO						
Interest Coverage Ratio						
EBITDA	(30,857,767)		205,417,084		2,010,500,098	
Interest Expense	1,300,967,463	(0.02)	1,300,967,463	0.16	1,223,993,922	1.64
V. PROFITABILITY RATIOS						
Return on equity						
Net Loss	(3,905,266,957)		(3,310,949,604)		(831,761,000)	
Shareholders' equity	5,650,258,535	(0.69)	9,485,806,417	(0.35)	12,453,545,388	(0.07)
Return on assets						
Net Loss	(3,905,266,957)		(3,310,949,604)		(831,761,000)	
Total Assets	34,122,467,765	(0.11)	37,354,632,374	(0.09)	41,004,197,509	(0.02)
Net Profit Ratio						
Net Loss	(3,905,266,957)		(3,310,949,604)		(831,761,000)	
Total Revenues	4,468,563,672	(0.87)	4,678,919,363	(0.71)	7,220,216,042	(0.12)
Gross Profit Ratio						
Gross Profit (Loss)	(509,843,246)		(619,135,360)		1,630,996,704	
Total Revenues	4,468,563,672	(0.11)	4,678,919,363	(0.13)	7,220,216,042	0.23
EBITDA Margin						
EBITDA	(30,857,767)		205,417,084		2,010,500,098	
Total Revenues	4,468,563,672	-1%	4,678,919,363	4%	7,220,216,042	28%
VI. OTHER RATIOS						
Book Value Per Share						
Total Equity	5,650,258,535		9,275,443,148		12,273,545,388	
Number of Shares Outstanding	1,821,977,615	3.10	1,821,977,615	5.09	1,821,977,615	6.74
Earnings Per Share						
Net Loss	(3,905,266,957)		(3,310,949,604)		(831,761,000)	
Weighted Average No. of Shares	1,821,977,615	(2.14)	1,821,977,615	(1.82)	1,821,977,615	(0.46)

ANNEX F

May 18, 2021 Annual Stockholders' Meeting

Question: The question is on the impact of COVID on Chelsea's operations. What is the Company's recovery strategy for the second half of the year in order to mitigate the negative effects of the pandemic?

Reply of President & CEO Chryss Alfonsus V. Damuy: Last year, the immediate measures taken by the Group to address the effects of the Covid pandemic on its businesses included workforce rationalization, improved vessel utilization, route rationalization, enhanced revenue management, disposal of aging and non-performing vessels, cost-cutting initiatives and the suspension of uncommitted capital expenditure programs. In addition to these, the Company has availed of the extension periods for loan payments provided under Bayanihan Acts 1 and 2, to ease its cash flow. As reported in the 2020 financial results, EBITDA remains to be positive, but bottomline has been down significantly. However, with these initiatives, the Company is in the best position to bounce-back one the country's economy will be back on its feet and we will be at the new normal. The Company will continue to implement the cost-savings measures we mentioned even when business starts to recover. With these, we expect the Company to be in a positive territory or with positive cash flow in early to mid 2022 as we see 2021 to be the recovery period.

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 30th day of March 2022