

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

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

1. For the fiscal year ended: **31 December 2022**
2. Name of registrant as specified in its charter: **CHELSEA LOGISTICS AND INFRASTRUCTURE HOLDINGS CORP. (the "Company" or "CLIHC")**
3. Country of Incorporation: **REPUBLIC OF THE PHILIPPINES**
4. SEC Identification Number: **CS201619734**
5. BIR Tax Identification Code: **009-393-167-000**
6. Industry Classification Code: (SEC Use Only)
7. Address of principal office: **Stella Hizon Reyes Road, Bo. Pampanga
Davao City 8000**
8. Registrant's telephone number: **(082)224-5373**

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

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

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

Yes No

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

Philippine Stock Exchange – Common Shares

11. Check whether the issuer:

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

Yes No

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

Yes No

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PART I – BUSINESS AND GENERAL INFORMATION

I. Business Overview

Item 1. Historical Background

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

On November 24, 2016, the Company acquired all of the outstanding shares of Chelsea Shipping Corp. (CSC) from P-H-O-E-N-I-X Petroleum Philippines, Inc. (PPPI), a related party under common ownership, for a total consideration of 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. On March 18, 2021, CLIHC entered into a Share Purchase Agreement for the sale of its entire effective interests of around 31.73% in 2Go Group, Inc. through KGLI-NM Holdings, Inc.

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 the 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 chandlery, 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 – Calapan, and Bacolod-Iloilo.

Item 3. Subsidiaries

The following is the list of the Company's subsidiaries/affiliates as of December 31, 2022:

Company	Place of Incorporation	Principal Activities	Date of Incorporation	Ownership (%)
Chelsea Shipping Corp.	Philippines	Petroleum hauling	17 July 2006	100%
PNX-Chelsea Shipping Corp. ¹	Philippines	Petroleum hauling	2 February 2011	100%
Fortis Tugs Corporation ¹	Philippines	Towage, salvage of marine vessels	8 April 2013	100%
Davao Gulf Marine Services Inc. ²	Philippines	Towage, salvage of marine vessels	18 January 2012	100%
Michael Inc. ¹	Philippines	Cargo transport	26 December 1957	100%
Bunkers Manila Incorporated ¹	Philippines	Inter-island vessels for domestic trade	7 March 2000	100%
Chelsea Ship Management & Marine Services Corp. ¹	Philippines	Ship management services	30 March 2012	100%
Chelsea Marine Manpower Resources, Inc. ¹	Philippines	Crewing	9 June 2016	100%
Chelsea Dockyard Corp. ¹	Philippines	Ship repairs and maintenance	8 January 2018	100%
CD Ship Management & Marine Services Corp. ¹	Philippines	Ship management services	14 March 2018	100%
Chelsea Shipping and Logistics Pte. Ltd.	Singapore	Management consultancy services	2012	100%
Trans-Asia Shipping Lines, Incorporated	Philippines	Cargo/ passengers inter-island transport	25 March 1974	100%
Ocean Star Shipping Corporation ³	Philippines	Towing services	6 July 2006	100%
Starsy Shoppe, Inc. ³	Philippines	Gift shop & convenience store	31 March 2005	100%
Dynamic Cuisine Inc. ³	Philippines	On-board restaurant	21 June 2000	100%

Company	Place of Incorporation	Principal Activities	Date of Incorporation	Ownership (%)
Quality Metal & Shipworks, Inc. ³	Philippines	Ship repairs and maintenance	28 November 2007	100%
Star Maritima Port and Allied Services, Inc. ³	Philippines	Arrastre services	11 October 2018	100%
Big Hub Transport and Logistics Corp.	Philippines	Trucking services	24 November	100%
Worklink Services, Inc.	Philippines	Logistics and forwarding	February 1999	100%
Starlite Ferries, Inc.	Philippines	Cargo/passengers inter-island transport	26 August 1994	100%
Starbites Food Services Corp. ⁴	Philippines	On-board restaurant	27 June 2018	100%
Starlite Gallant Ferries, Inc. ⁴	Philippines	Cargo/passengers inter-island transport	16 March 2017	100%
Starlite Premier Ferries, Inc. ⁴	Philippines	Cargo/passengers inter-island transport	26 July 2016	100%
The Supercat Fast Ferry Corporation	Philippines	Inter-island transport	20 June 2001	100%
TASLI Services Incorporated	Philippines	Shipping agency business; maritime operations / services	10 September 2019	100%
Udenna Investments BV	The Netherlands	Holding Company	25 August 1994	100%
KGLI – NM Holdings, Inc.* subsidiary of Udenna Investments BV	Philippines	Holding Company	8 August 2008	90.07%
Dito Holdings Corp.	Philippines	Holding Company	4 November 2019	10.54%

¹Wholly-owned subsidiary of Chelsea Shipping

³Wholly-owned subsidiary of Trans-Asia

²Wholly-owned subsidiary of Fortis Tugs

⁴Wholly-owned subsidiary of Starlite

Item 4. Significant Philippine Associates and Affiliates

Company	Place of Incorporation	Principal Activities	Date of Incorporation	Relationship
Udenna Corporation	Philippines	Holding Company	19 March 2002	Parent of Chelsea Logistics and Infrastructure Holdings Corp.
Phoenix Petroleum Philippines, Inc.	Philippines	Petroleum	8 May 2002	43.85% owned by Udenna Corporation
PH Resorts Group Holdings, Inc.	Philippines	Tourism and gaming	30 January 2009	77.49% owned by Udenna Corporation
Dito CME Holdings Corp.	Philippines	Holding Company	1 March 1925	31.92% owned by Udenna Corporation

Item 5. Competition

Shipping and Logistics Industry in the Philippines

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

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

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

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 March 2023, the Maritime Industry Authority (MARINA) registered approximately 65 oil tankers in the country, which have a total GRT of 135,929.94.

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 Corporation
5. SMC Shipping & Lighterage Corporation

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 April 2022 records of the MARINA, there are 758 registered tugboats in the Philippines with a total GRT of 109,004. Majority of the smaller GRT tugboats hold a Bay & River trading license from the 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.

As of December 2021, there are 742 passenger vessels registered with the MARINA, with a total GRT of 423,458. These passenger vessels have an average GRT of 575 and an average age of 18 years. For the same period, there are 1,917 cargo vessels registered with the MARINA, with a total GRT of 2,009,232. These cargo vessels have an average GRT of 1,049 and an average age of 23 years.

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

Item 6. Costs and Effect of Compliance with Environmental Laws

The Company incurred ₱12,827,095.63 and ₱8,537,598.90 for 2022 and 2021, respectively for costs relating to compliance with environmental laws as required by the MARINA. This pertains to daily waste management expenses.

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

As of December 31, 2022, the Company has a total of 2,132 employees, 985 of which are crewmen and are stationed at various ports of operation, while the other 1,147 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.

Item 8. Corporate Social Responsibility

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

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

Building Pillars Toward Sustainability

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

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

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

Reducing our Carbon Footprint

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

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

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

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

Further, the Chelsea Group partnered with the City Environment and Natural Resources Office – Department of Environment and Natural Resources (CENRO-DENR) and other local government units to advocate reforestation in the areas where it operates.

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

Investing in Our People

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

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

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

Giving Back to Society

Guided by its corporate values of “*Malasakit*” and Teamwork, Chelsea Logistics continued its implementation of programs in line with the United Nation’s Sustainable Development Goals (SDG). These programs are part of Chelsea Logistics’ aim to continuously support individuals, families, and communities especially in areas where it operates.

SUSTAINABLE DEVELOPMENT GOAL (SDG) 5 – GENDER EQUALITY

UNCOVERING THE #ChelSHE STORY

In celebration of Women’s Month, Chelsea Logistics launched its women empowerment campaign called “ChelSHE Story” in March. The campaign was initiated in line with the United Nations’ Sustainable Development Goal to achieve gender equality and to empower all women. The Campaign paid tribute to and encouraged women in the shipping and logistics industry and attested to Chelsea Logistics’ steadfast commitment to promoting gender equality in the workplace and empowering women at work. For 2022, the “ChelSHE Story” featured six stories of women in the Chelsea Group across business segments.

SDG 9 - INDUSTRY INNOVATION AND INFRASTRUCTURE

EMPOWERING EMPLOYEES BY CREATING A SAFE SPACE FOR THEM

The Chelsea Group takes pride in its employees who, amid all the hardships since the onset of the Covid pandemic, remain dedicated to delivering quality work for its stakeholders. To help its employees develop their soft skills, which in turn can further improve productivity and build a culture of trust and teamwork, Chelsea Logistics launched the Chelsea Classroom in August 2022.

Chelsea Classroom is a knowledge-sharing program that encourages team members to be intentional in sharing their talents and knowledge on any topics that they are good at or passionate about. The Program is meant to not only hone the interpersonal and leadership skills of team members, but also create a safe space for them to network, learn, and maximize internal resources.

An average of 95 and 50 participants attended the sessions on Grammar 101 with Business Writing and Accounting for Non-Accountants respectively.

HELPING EMPLOYEES REACH THEIR GOALS

To help its employees be in control of their finances and life choices, the Chelsea Group conducted a financial literacy seminar in November 2022. Financial literacy champion Aurora "Ojing" Osana, the Executive Vice Chairman of International Marketing Group (IMG), was invited to share practical tips on how to gain financial freedom amidst rising inflation in the country.

SDG 14 - LIFE BELOW WATER

LEADING THE CHARGE ON MANGROVE CONSERVATION & PRESERVATION

Mangrove forests play a vital role in protecting the country’s shorelines from damaging storm surges and winds, waves, and floods. In addition to serving as valuable nursery areas for many commercial fish and invertebrates, mangrove trees help maintain water quality and clarity by filtering pollutants and trapping sediment deposits from land areas.

In an effort to promote mangrove trees protection, conservation, and restoration, the Chelsea Group carried out a series of mangrove tree planting activities in 2022.

Starlite Ferries, Inc. (SFI) began its campaign in Brgy. Catmon, San Juan, Batangas where SFI team members planted a total of 200 mangrove trees. In April 2022, SFI expanded its campaign and planted 300 mangrove trees in Silonay Mangrove Conservation Eco-Park located at Barangay Silonay, Calapan City, Oriental Mindoro. A total of 70 SFI employees took part in the activity.

On July 30, 2022, Trans-Asia Shipping Lines, in coordination with the Municipal Environment and Natural Resources Office of Liloan (MENRO), worked together on a mangrove tree planting activity at Sitio Bakhaw, Barangay Cotcot Liloan, Cebu. Some 22 Trans-Asia employee volunteers gathered to plant 500 mangrove tree samplings at their chosen area.

On October 21, 2022, the Chelsea Group partnered with the City Environment & Natural Resources Office and Samahan ng Mangingisda ng Talisay, Calatagan Batangas to plant 400 mangrove trees in different areas in the province. A total of 40 employee volunteers from Chelsea Logistics, Chelsea Shipping, TASLI Services, and Worklink Services participated in the activity.

SDG 15 LIFE ON LAND

ENGAGING IN ACTIVITIES THAT PROMOTE ENVIRONMENTAL PROTECTION

The Chelsea Group firmly believes in the adage: “You have to sow before you can reap. You have to give before you can get.” With this in mind, the Group continually endeavors to be part of efforts that help mitigate the effects of climate change, preserve the ecosystem, and protect the quality of soil and air in the country.

On September 2022, the Chelsea Group joined forces with the Udenna Foundation to conduct a tree planting activity at Calaca Seaport. A total of 600 assorted seedlings were planted by employee volunteers from Calaca Industrial Seaport Corporation, Chelsea Logistics, Malampaya Foundation, UC38 LLC, and the Municipal Environment and Natural Resources Office (MENRO) of the City of Calaca.

SDG 17 – PARTNERSHIPS FOR THE GOALS

HEEDING THE CALL OF SAVING LIVES

On February 7, 2022, Worklink Services, Inc. (WSI) marked its 23rd founding anniversary with the theme: “Faith Forward”. The milestone was commemorated with an anniversary Mass to celebrate another fruitful year for the organization despite continuing challenges.

WSI, in partnership with the Philippine Red Cross, held a Blood Donation Drive as part of its anniversary celebration. A total of 33 volunteers from various WSI branches participated in the bloodletting campaign with the objective of promoting and encourage regular blood donations to help sustain blood banks and save countless lives. This year, the participants were able to donate 33 bags of blood.

EQUIPPING THE NEXT GENERATION

The Chelsea Group believes that education is the key to a better future. Considering the importance of education, especially to improve living conditions, students will greatly benefit from quality and upgraded educational materials.

As a partner for national development, TASLI Services, Inc. (TSI) shared its blessings with the Kapitbahayan Elementary School in Bangus St, Navotas City as it distributed 6,536 packs of twistable

crayons to its more than 5,000 students. This simple donation drive aims to equip students with more proper tools essential to academic success.

Item 9. Principal Competitive Strengths of the Company

CLIHC believes that it benefits from the following competitive strengths:

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

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

Based on the most recent MARINA information, CLIHC has the largest tanker fleet by tonnage amongst the five (5) major tanker players in the industry with a total GRT of 60,124.99.

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

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

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

Robust product offering

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

Seasoned Management Team of industry experts.

Collectively, the Management Team of the Company includes the most experienced maritime professionals in the Philippine tanker, RoRo passenger and cargo industries. All of the Company's captains are duly licensed by MARINA. Apart from their experience with the Company, most of the senior officers have had professional experience with other maritime companies, domestic and international, in various capacities. The Company's senior and middle management regularly attend extensive professional and technical trainings to further upgrade skills and keep abreast of latest

developments in the industry. This depth and breadth of experience shared by the senior Management merits the Company an advantage in its pursuit of business opportunities and providing quality services.

Strong acquisition track record.

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

The Company reported the following key strategic acquisitions:

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

Item 10. Key Strategies and Objectives

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

Re-fleeting and continuous upgrade of vessels

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

Expansion into new routes

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

In May 2022, Starlite Ferries launched its new route: Batangas-Romblon, Romblon-Magdiwang-Culasi, where the Batangas-Culasi via Romblon and Magdiwang is scheduled on M-W-F while the Culasi-Batangas vs. Magdiwang & Romblon is scheduled on T-THs of the week.

Development of facilities to support the Group's core business

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

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

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

Expand regional operations

The medium-range tanker M/T Chelsea Providence has been operating under time charter since November 2018 in the United Arab Emirates, and this has been extended for another year. M/T Great Princess is operating in the Southeast Asia region under bareboat charter arrangement for a period of 5 years until April 2027.

In September 2022, M/T Chelsea Denise II commenced its bareboat charter in the region with the same company operating M/T Chelsea Providence and M/T Chelsea Dominance. M/T Chelsea Cherylyn departed from the Philippines in February 2023 to commence its bareboat charter agreement in the United Arab Emirates.

Item 11. Risks Relating to the Company

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

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

Due to the nature of the shipping industry, the risk of collision is real. Collisions may result in extensive damage to a vessel's hull, increasing its susceptibility to taking on water, which may result in the integrity of the vessel being compromised or even result in a complete loss of the vessel, environmental pollution, loss of life and damage to properties. 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.

- *Changes in legal and regulatory environment.*

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

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

industry and working to strengthen industry-government partnerships.

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

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

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

Item 12. Transactions with Related Parties

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

- Chartering services
- Fuel purchases
- Rentals
- Advances to/from related parties for working capital purposes

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

II. Properties

The Group owns various tankers, barges, RoPax, cargo vessels and tugs which are utilized in its business. The following table sets forth information on these vessels that each company owns as of December 31, 2022.

	Name of Vessel	Registered Owner	Year Built	Type
1.	M/T Chelsea Providence	CSC	2013	Medium Range Tanker
2.	M/T Chelsea Cherylyn**	CSC	2009	White Oil, Carrier, Tanker
3.	M/T Chelsea Denise**	CSC	1985	Black / White Oil Carrier, Tanker
4.	M/T Chelsea Resolute**	CSC	1979	White Oil, Carrier, Tanker
5.	M/T Chelsea Enterprise	CSC	1985	Black Oil Tanker
6.	M/T Chelsea Excellence	CSC	1998	White Oil, Carrier, Tanker
7.	M/T Chelsea Intrepid**	CSC	1994	Black Oil Tanker
8.	M/T Chelsea Denise II	PNX – CSC	2012	Black / White Oil Carrier, Tanker
9.	M/T Chelsea Dominance	PNX – CSC	2016	Product Oil Tanker
10.	M/T Chelsea Great Princess	PNX – CSC	2013	Oil/Chemical Tanker
11.	M/T Chelsea Endurance	PNX – CSC	2006	Product Oil Tanker

Name of Vessel	Registered Owner	Year Built	Type
12. M/T Chelsea Charlize**	PNX – CSC	2015	Product Oil Tanker
13. MV San Pedro Calungsod**	PNC – CSC	1996	Cargo Container
14. MV San Lorenzo Ruiz Uno**	PNX – CSC	1996	Cargo Container
15. MV St. Nicholas of Myra**	PNX – CSC	1998	General Cargo
16. M/T Ernesto Uno**	MI	1979	White Oil, Carrier, Tanker
17. M/T Jasaan**	MI	1990	Black Oil Carrier, Tanker
18. M/T BMI Patricia***	BMI	1981	Black Oil Carrier, Tanker
19. MV Trans Asia 1*	Trans Asia	1980	Passenger Ship
20. MV Trans Asia 2**	Trans Asia	1977	Passenger Ship
21. MV Trans Asia 3	Trans Asia	1989	Passenger Ship
22. MV Trans Asia 8	Oceanstar	1984	Passenger Ship
23. MV Trans Asia 10**	Trans Asia	1979	Passenger Ship
24. MV Asia Philippines**	Trans Asia	1975	Passenger Ship
25. MV Trans-Asia 18	Trans-Asia	1998	Passenger Ship
26. MV Trans-Asia 19	Trans-Asia	2018	Passenger Ship
27. MV Trans Asia 12	Trans Asia	1998	Container Cargo Ship
28. MV Trans Asia 15	Trans Asia	1995	Container Cargo Ship
29. MV Trans-Asia 16**	Trans-Asia	1996	Container Cargo Ship
30. MV Trans-Asia 17**	Trans-Asia	1999	Container Cargo Ship
31. MV Asia Pacific**	Trans Asia	1981	General Cargo Ship
32. MV Trans-Asia 21	Trans-Asia	2021	Passenger Ship
33. M/Tugs Fortis I	FTC	1994	Tugboat
34. M/Tugs Fortis II	FTC	1990	Tugboat
35. M/Tug Fortis III	FTC	1972	Tugboat
36. M/Tug Fortis V	FTC	1984	Tugboat
37. M/Tug Fortis VI	FTC	1989	Tugboat
38. M/Tug Fortis VII	FTC	1984	Tugboat
39. M/Tug Fortis VIII	FTC	1984	Tugboat
40. M/Tug Fortis IX**	FTC	2009	Tugboat
41. M/Tug Fortis X	FTC	1988	Tugboat
42. M/Tug Fortis XI****	FTC	1988	Tugboat
43. M/Tug Fortis XII	FTC	1988	Tugboat
44. M/Tug Fortis XV	FTC	1987	Tugboat
45. M/Tug Samal	DGMSI	1974	Tugboat
46. M/Tug Pindasan	DGMSI	1981	Tugboat
47. M/Tug Sigaboy	DGMSI	1971	Tugboat
48. M/Tug Orishima****	FTC	1988	Oil Pollution Tugboat
49. M/Tug DavTug XI****	DGMSI		Tugboat
50. MV Starlite Pacific	SFI	1983	Passenger and Cargo Ship
51. MV Starlite Annapolis**	SFI	1982	Passenger and Cargo Ship
52. MV Starlite Jupiter	SFI	1989	Passenger and Cargo Ship

Name of Vessel	Registered Owner	Year Built	Type
53. MV Starlite Pioneer	SFI	2015	Passenger and Cargo Ship
54. MV Starlite Tamaraw	SFI	1981	Cargo Ship
55. MV Starlite Eagle	SFI	2016	Passenger and Cargo Ship
56. MV Starlite Reliance	SFI	2015	Passenger and Cargo Ship
57. MV Starlite Saturn	SFI	2016	Passenger and Cargo Ship
58. MV Starlite Archer	SFI	2017	Passenger and Cargo Ship
59. MV Starlite Venus	SFI	2021	Passenger and Cargo Ship
60. MV Starlite Sprint 1	SFI	2019	Fastcraft
61. MV SWM Salve Regina	SGFI	2018	Passenger and Cargo Ship
62. MV Stella Maris	SGFI	2019	Passenger and Cargo Ship
63. MV Trans-Asia 20 (Starlite Phoenix)	SGFI	2019	Passenger and Cargo Ship
64. MV SWM Stella del Mar	SPFI	2018	Passenger and Cargo Ship
65. St. Uriel	Supercat	1992	Passenger Ship
66. St. Sealthiel	Supercat	2000	Passenger Ship
67. St. Jhudiel	Supercat	1996	Passenger Ship
68. St. Braquel	Supercat	1996	Passenger Ship
69. St. Emmanuel**	Supercat	1998	Passenger Ship
70. St. Camael	Supercat	2017	Passenger Ship
71. St. Sariel	Supercat	2017	Passenger Ship
72. St. Micah**	Supercat	1990	Passenger Ship

* Damaged / Retired

*** For conversion to Water barge

** On Drydock as of December 31, 2022

**** Not operational

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

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

In May 2018, the Company purchased a parcel of land at Ligid Tipas, Taguig City with an area of 25,335 sq.m. which 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	
				2022	2021
China Banking Corporation (CBC)	Real Estate Mortgage (REM), Continuing Suretyship, MT Chelsea Great Princess, MT Chelsea Charlyze, MT Chelsea Resolute, MT Chelsea Enterprise, MT Chelsea Excellence, MT Chelsea Ernesto Uno, MT Chelsea Jasaan				
Development Bank of the Philippines (DBP)	(b.1) Assignment of receivables: MT Chelsea Providence, MT Chelsea Cheryllyn, MV Starlite Stella Maris,	7 years	6.50%	P 1,926,396,728	P 1,926,396,728
Philippine Business Bank (PBB)	(f.4) Corporate/Continuing Suretyship	15 years	6.50%	1,820,060,107	1,821,008,778
CBC	(c.2) MV Eagle, MV Archer, MV Saturn	8 years	3.00% - 7.00%	855,856,717	813,238,917
DBP	(b.3) REM	15 years	7.25%	800,000,000	800,000,000
DBP	(f.3) Trans - Asia 16, 17 and 18	15 years	6.50%	584,892,857	584,892,857
PBB	(f.2) MV St. Nicholas of Myra	15 years	6.50%	496,802,412	496,802,412
DBP	(c.4) MV Salve Regina	8 years	3.00% - 7.00%	491,555,017	460,000,000
BDO Unibank, Inc. (BDO)	(f.1) MV Pioneer, MV Raliance	15 years	6.95%	450,514,006	469,953,817
PBB	(a.2) REM, Continuing suretyship	6 years	3.00% - 8.16%	386,207,130	338,707,130
DBP	(c.3) MV Stella Del Mar	8 years	3.00% - 7.00%	331,727,800	309,222,352
Mega International Commercial Bank Co. (MICBC)	(e) Pledge of shares, Continuing Suretyship	5 years	6.37%	247,500,000	247,500,000
Robinsons Bank Corporation (RBC)	(e) Pledge of shares, Continuing Suretyship	5 years	6.37%	247,500,000	247,500,000
CTBC Bank (Philis) Inc. (CTBC)	(e) Pledge of shares, Continuing Suretyship	5 years	6.37%	247,500,000	247,500,000
PBB	(c.1) MT Chelsea Dominance	8 years	3.00% - 7.00%	-	227,048,850
PBB	(c.1) MT Chelsea Endurance	8 years	3.00% - 7.00%	442,696,689	192,578,750
PBB	(c.5) Pledge of shares of stock	8 years	3.00% - 7.00%	137,494,000	177,709,000
First Commercial Bank, Ltd. (FCB)	(e) Pledge of shares, Continuing Suretyship	5 years	6.37%	165,000,000	165,000,000
CBC	(e) REM, MV Asia Philippines,				
Rizal Commercial Banking Corp.	(b.2) MV Asia Pacific	10 years	5.75%	162,407,407	162,407,407
SH Capital Asia Growth Fund	(g) Starlite Sprint I	7 years	9.50%	105,074,977	110,776,039
Asia United Bank (AUB)	(h) Unsecured	5 years	9.00%	105,225,000	101,548,000
AUB	(d) MTug Fortis VI, MTug Fortis VII	7 years	5.56%	31,269,933	41,693,244
AUB	(d) MTug Fortis VIII, Assignment of receivables	7 years	7.07%	30,190,922	39,007,630
AUB	(d) MTug Fortis IX, MTug Fortis X, Assignment of receivables	7 years	7.07%	30,190,922	39,007,630
BDO	(d) MTug Fortis III and MTug Fortis V, Assignment of receivables:	7 years	5.56%	18,083,329	30,212,255
BDO	(a.1) MT Chelsea Denise II	2 years	5.50%	-	90,842,500
				10,384,041,596	10,401,785,495
				(66,005,034)	53,194,493
Net premium (discount) on loans payable				P 10,318,036,562	P 10,454,979,988

Secured Bank Loans

	Security	Terms	Interest Rates	Outstanding Balance	
				2022	2021
Primary Institutional Lenders	Unsecured	30 to 180 days	4.25% to 7.50%	P 1,422,956,791	P 1,499,056,236
Landbank of the Philippines	MT Chelsea Intrepid				
	MT BMI Patricia				
PBB	Assignment of receivables	90 days	9.00%	1,336,460,600	500,000,000
CBC	Unsecured	180 days	9.00%	665,000,000	675,000,000
	Trans-Asia 2, Trans-Asia 3, Trans-Asia 5, Trans-Asia 12, Trans-Asia 15	60 days	6.00%	500,000,000	500,000,000
Pentacapital	Assignment of receivables	360 days	6.00%	210,970,653	196,691,072
Union Bank of the Philippines	Continuing suretyship	360 days	4.50%	198,000,000	200,000,000
UCPB	MT Chelsea Intrepid				
	MT BMI Patricia	90 days	5.00% to 5.75%	-	862,325,000
AUB	Unsecured	30 days	8.00%	-	20,324,093
BDO Unibank Inc	Trans-Asia 1	180 days	6.50%	-	47,500,000
Robinsons Bank Corporation	MT Chelsea Denise	180 days	5.50%	-	23,825,323
				P 4,333,388,044	P 4,524,721,724

III. Legal Proceedings

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

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

- Michael, Incorporated vs. Pilipinas Kao Incorporated, Civil Case No. 37046, Regional Trial Court of Cebu City;*
- 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. PKI presented its VP for Finance and Administration on December 14, 2022. PKI is scheduled to present 2 more witnesses on February 9 and 10, 2023.

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 Agreements 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. To date, no Compromise Agreement has been reached yet with the last remaining Complainant.

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.

On March 9, 2022, Trans-Asia received the Decision of the Court Of Appeals affirming the Decision of the Regional Trial Court (RTC) Branch 23, Cebu City. On March 24, 2022, Trans-Asia filed a Motion for Reconsideration, and on December 7, 2022, it received the Resolution of the Court of Appeals denying its Motion for Reconsideration. On December 19, 2022, Trans-Asia filed with the Supreme Court a Motion for Single Extension to file a Petition for Review on Certiorari under Rule 45 of the Rules of Court. On January 20, 2023, Trans-Asia filed with the Supreme Court a Verified Petition for Review on Certiorari. Currently, the case is still pending with the Supreme Court.

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. The Regional Trial Court (Branch XI) of Cebu City, issued an Order on 14 July 2022 suspending the proceedings until the Stay Order is lifted or the case before the Insurance Commission is terminated.

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

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

The Company’s common shares are traded at the Philippine Stock Exchange (“PSE”) beginning August 8, 2017. The high and low sale prices of each quarterly period for year 2022 are as follows:

Period	2022		2021		2020		2019	
	High	Low	High	Low	High	Low	High	Low
1Q	1.61	1.56	3.28	3.17	5.89	1.91	7.2	5.59
2Q	1.39	1.32	3.14	3.08	4.29	2.49	8.74	5.08
3Q	1.36	1.25	2.22	2.13	4.65	4.01	9.36	6.22
4Q	1.2	1.15	1.67	1.6	5.39	5.1	7.18	4.73

As of February 15, 2023, the market capitalization of the Company, based on the closing price of ₱1.25 per share, was approximately ₱1.822 Billion.

II. Holders

The following are the top registered holders of the Company’s securities based on the records as of December 31, 2022:

Name of Stockholders	Number of shares held	% to Total
Udenna Corporation	1,275,384,606	70.000
PCD Nominee Corporation (Filipino)	527,568,592	28.956
PCD Nominee Corporation (Non-Filipino)	16,724,300	0.918
Caroline G. Taojo	800,000	0.044
Eggnest Property Corp.	770,000	0.042
Noe B. Taojo	400,000	0.022
Elvira M. Cruz or Bernardo A. Cruz	100,000	0.005
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
Christopher Vincent J. Kokseng or Mary Jean G. Kokseng	15,000	0.001
Myra P. Villanueva	10,800	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

Name of Stockholders	Number of shares held	% to Total
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%

III. Dividends

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

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

The Company did not declare dividends for the years ended December 31, 2022, 2021, 2020, 2019 and 2018.

IV. Submission of Matters to a Vote of Security Holders

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

At the May 3, 2022 Annual Stockholders' Meeting, after a discussion of each item, and opportunity given to the shareholders present to ask questions thereon, the approval of the following matters took place: approval of the Minutes of the May 18, 2021 Annual Stockholders' Meeting; approval of the 2021 Audited Financial Statements and Annual Report; Ratification of all acts of the Board of Directors, Board Committees and Management for the period covering 23 February 2021 to 8 February 2022; election of the members of the Board of Directors; and appointment of the External Auditor of the Company.

V. Recent Sale of Securities

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

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, was approved by the Securities and Exchange Commission on April 4, 2022.

PART III – FINANCIAL INFORMATION

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

The Management's Discussion and Analysis of Financial Condition and Results of Operations for each of the Three Years in the Period Ended December 31, 2022, 2021 and 2020 are attached hereto as **Annex A**.

II. Information on Independent Accountant and Other Related Matters

Punongbayan & Araullo (P&A), a member firm of Grant Thornton International Ltd., independent auditors, audited the Company's financial statements as at 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.

	2022	2021	2020
Audit Fees	₱4,500,000	₱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.

III. Financial Statements

The Company's Statement of Management's Responsibility and Audited Financial Statements as of December 31, 2022 is in **Annex B**. Financial Statements are prepared in accordance with SRC Rule 68, as amended and Rule 68.1.

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

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

PART IV – CONTROL AND COMPENSATION INFORMATION

I. Directors and Executive Officers of the Issuer

1. Board of Directors

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

Office/Position	Name	Age	Citizenship
Directors			
Chairman	Dennis A. Uy	49	Filipino
Director/President & CEO	Chryss Alfonsus V. Damuy	49	Filipino
Director/Treasurer	Cherylyn C. Uy	43	Filipino
Director	Arthur Kenneth L. Sy	55	Filipino
Director	Efren E. Uy	61	Filipino
Director	Eduardo A. Bangayan	71	Filipino
Independent Director	Miguel Rene A. Dominguez	46	Filipino
Independent Director	Jesus S. Guevara II	68	Filipino

Below is a summary of their qualifications:

Dennis A. Uy

Chairman

Dennis A. Uy, Filipino, 49 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, 49 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, 43 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, 55 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, 61 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, 71 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. 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 1993 and re-appointed in January 2023 with a term until 2028, and a member of the

Philippine Association of Water Districts (PAWD) Board of Governors. He has served as a Director of the Rural Bank of Tagum from 2015 until present, as well as a member of the Board of Governors of the Philippine National Red Cross. He has a degree in Bachelor of Science in Business Administration from Silliman University and currently serves on the Board of Trustees representing the Alumni for a term up to July 31, 2027. He continues to serve as a pillar in the country's business sector by serving as Regional Director of the Federation of Filipino-Chinese Chambers of Commerce and Industry, Inc. in Southern Mindanao from 2017 to present.

Miguel Rene A. Dominguez
Independent Director

Miguel Rene A. Dominguez, Filipino, 46 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, 68 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.

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

1. Executive Officers

The incumbent Executive Officers of the Company are as follows:

Office/Position	Name	Age	Citizenship
President & CEO	Chryss Alfonsus V. Damuy	49	Filipino
Treasurer	Cherylyn C. Uy	43	Filipino
Chief Financial Officer	Ignacia S. Braga IV	57	Filipino
Deputy Financial Officer / Treasury Head	Reynaldo A. Phala	56	Filipino
AVP – Legal & Corporate Affairs / Corporate Secretary	Ma. Henedina V. San Juan	61	Filipino
Finance Controller	Darlene A. Binay	50	Filipino
Compliance Officer	Leandro E. Abarquez	39	Filipino
Chief Audit Executive	Maria Katherine A. Agbay	50	Filipino

Below is a summary of their business experience:

Ignacia S. Braga IV

Chief Financial Officer

Filipino, 57 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, 56 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, 61 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, 50 years old, is the Finance Controller of the Company. Prior to joining CLIHC, she was the VP – Finance of Philippine Span Asia Carrier Corp. and served as 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, 39 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, 50 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

2. Family Relationships

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

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

3. Involvement of Directors and Officers in Certain Legal Proceedings

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

1. Cases filed against Chairman of the Board Dennis A. Uy

The Department of Justice (DOJ) filed twenty-five (25) Informations against Dennis A. Uy, for alleged violations of the Tariff and Customs Code of the Philippines, twenty-two (22) of which were filed with the Regional Trial Court of Davao City, and three (3) Informations filed with the Regional Trial Court of Batangas City.

With respect to the Informations filed with the Regional Trial Court of Batangas City, upon filing by Mr. Uy on September 2, 2013 of an *Omnibus Motion for the Determination of Lack of Probable Cause*, the Regional Trial Court of Batangas City granted said Motion on September 17, 2013 and DISMISSED all three (3) Informations which were filed in 2011 and 2013. The DOJ filed a *Motion for Reconsideration with Motion for Inhibition* of Judge Ruben A. Galvez, which was subsequently denied on December 6, 2013. On July 7, 2014, the Regional Trial Court of Batangas City issued a Certificate of Finality certifying that its Order dated December 6, 2013, which denied the Motion for Reconsideration and affirmed the Order dated September 17, 2013 which dismissed the 3 Informations filed against Mr. Uy for lack of probable cause, has already become final and executory since no appeal was filed therefrom.

With respect to the Informations filed with the Regional Trial Court of Davao City which were filed in 2011, 2013 and 2014, on October 4, 2013, the Regional Trial Court of Davao City ordered the DISMISSAL of the criminal cases against Mr. Uy. The subsequent Motion for Reconsideration of the Plaintiff, People of the Philippines, was also denied in an Order dated August 18, 2014. Hence, the People of the Philippines ("Petitioner") filed on October 27, 2014 with the Court of Appeals (CA), Cagayan de Oro City a *Petition for Certiorari* under Rule 65 of the Rules of Court docketed as CA G.R. SP No. 06500-MINm CA, CDO, 23rd Division. On October 24, 2016, Mr. Uy received a copy of the Decision of the CA dated October 12, 2016 DENYING the Petition for Certiorari. On November 10, 2016, Mr. Uy received a copy of the Motion for Reconsideration filed with the CA, and on January 25, 2017, the Court of Appeals DENIED the Petitioner's Motion for Reconsideration and upheld the Decision of the Court on October 12, 2016.

On April 4, 2017, the Group received a copy of the Petition for Review on Certiorari dated March 27, 2017 filed by petitioner docketed as GR No. 229705 with the Supreme Court, Manila, 3rd Division. As of December 31, 2017, the Group is awaiting for the Supreme Court's issuance of the resolution directing the Group to file Comment to the Petition for Review.

In a "Manifestation in Lieu of Reply" filed by the Office of the Solicitor General on July 10, 2019, the SOJ has prayed that their 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.

The Supreme Court has finally settled all pending issues on the BOC cases and in a Decision on 10 December 2021, the Supreme Court DISMISSED 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 Jorlan C. Cabanes and the Company's Chairman, Dennis A. Uy 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."

2. 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.

3. 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 Annual Report of any of the following events which are

material to an evaluation of the ability or integrity of any Director, person nominated to become a Director, executive officer, or control person of the Company:

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

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

II. Executive Compensation

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

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

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

The aggregate compensation paid or incurred during the last two (2) fiscal years 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, 2023			
Chryss Alfonsus V. Damuy	President & CEO				
Cherylyn C. Uy	Treasurer	18.88	0.25	8.22	27.34
Ignacia S. Braga IV	Chief Financial Officer				
All other officers as a group unnamed		16.45		2.16	18.60

Compensation of Executive Officer and Directors (in ₱ millions)					
Name	Principal Position	Salary	Bonus	Other	Total
		Actual 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	17.14	0.18	6.92	24.24
All other officers as a group unnamed		16.27	0.2	2.16	18.43

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

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

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

Employees' Stock Option Plan (ESOP)

The Company has an existing Stock Option Plan which was first approved by the Board of Directors on February 13, 2019 and by the Stockholders of the Corporation on March 15, 2019. An Amended ESOP was approved by the Board of Directors of the Corporation at its March 29, 2022 meeting, and by the Stockholders on May 3, 2022.

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 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 5 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.

In 2022, the Company amended the subscription price of the stock options to Php 3.99 and the exercise periods to the first five (5) trading days of September of every year.

As of December 31, 2022 and 2021, 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, 2022 and 2021.

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
Amended exercise price	:	P3.99
Original 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.

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

Options Held by Directors and Officers						
Name	Option Granted	2020	2021	2022	2023	2024
CEO and Most Highly Compensated Executive Officers	6,983,813	662,593	598,771	598,771	598,771	598,771
All other Officers of the Company	1,594,510	112,759	83,728	83,728	83,728	83,728

As of December 31, 2022, none of these options have been exercised.

The Employee Stock Option Plan, as amended, was submitted to the Securities and Exchange Commission for approval on December 27, 2022.

III. Security Ownership of Certain Beneficial Owners and Management

1. Security Ownership of Certain Records and Beneficial Owners as of December 31, 2022

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 <i>Stockholder</i>	Udenna Corporation	Filipino	1,275,384,606	70.000%
Common	PCD Nominee Corporation 29/F BDO Equitable Tower 8751 Paseo de Roxas, Makati City <i>Stockholder</i>	PCD participants acting for themselves or for their customers	Filipino	544,138,201	29.865%

**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 544,138,201 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, 2022, there are no other stockholders other than participants under PCD account who own more than five percent (5%) of the voting securities. Of the increase in the authorized capital stock of the Corporation from Two Billion Pesos (Php 2,000,000,000.00) to Three Billion Five Hundred Million Pesos (Php 3,500,000,000.00), which was approved by the Securities and Exchange Commission on April 4, 2022, Udenna Corporation subscribed to 375,000,000 additional shares, which are not yet recorded in the books of the Corporation's Stock Transfer as the shares are not yet fully-paid.

As of December 31, 2022, 0.9196% or 16,754,300 Common Shares are owned by foreign stockholders.

2. Security ownership of Directors and Management as of December 31, 2022

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	215,501	.01%
			Indirect	892,769,224	49.000%
Common	Cherylyn C. Uy	Filipino	Direct	1	NIL
			Indirect	382,615,382	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	1	NIL
			Indirect	100,000	0.01%
Common	Gener T. Mendoza	Filipino	Direct	20,001	NIL
Common	Arthur Kenneth L. Sy	Filipino	Direct	1	NIL
Common	Efren E. Uy	Filipino	Direct	270,001	NIL
Executive Officers					
Common	Ignacia S. Braga IV	Filipino	Direct	802,000	0.04%
Common	Ma. Henedina V. San Juan	Filipino	Direct	219,000	0.01%
Common	Reynaldo A. Phala	Filipino	N/A	NIL	
Common	Darlene A. Binay	Filipino	N/A	NIL	
Common	Maria Katherine A. Agbay	Filipino	N/A	NIL	
Common	Leandro E. Abarquez	Filipino	Direct	36,300	NIL
All Directors and Officers as a group				1,277,839,413	70.130%

As of December 31, 2022, Directors and Executive Officers of the Company owned an aggregate of 1,277,839,413 shares of the Company, equivalent to 70.13% of the Company's total issued and outstanding shares.

3. Changes in Control

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

4. Voting Trust Holders of 5% or more

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

IV. Certain Relationships and Related Transaction

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

A summary of the Company's and its Subsidiaries' transactions with its related parties for the periods ended December 31, 2022 and 2021 and the related outstanding balances as of December 31, 2022 and 2021 is presented below.

Related Party Category	Notes	Amounts of Transactions			Outstanding Balances	
		2022	2021	2020	2022	2021
Parent —						
Cash advances granted	19.4	(P 293,583,221)	P 6,426,326,198	P 317,184,433	P 7,113,121,679	P 7,406,704,900
Associate —						
Sale of Dito	10, 19.4	-	-	4,106,249,866	271,874,967	271,874,967
Related parties under common ownership:						
Chartering of services rendered	19.1	146,586,469	261,107,005	447,541,689	73,199,255	32,949,882
Fuel purchases	19.2	374,044,617	1,673,670,555	1,261,997,185	(2,681,942,524)	(2,743,065,055)
Acquisition of SFFC's shares	19.6	-	(528,132,766)	(121,867,234)	-	-
Acquisition of CSC's shares	19.6	-	-	-	(500,000,000)	(500,000,000)
Rental expense	19.3	2,598,304	2,213,728	80,955	(4,190,152)	(1,330,110)
Donation	19.9(b)	-	360,000	180,000	(360,000)	(360,000)
Cash advances granted	19.4	(29,871,909)	(32,410,566)	(2,716,725)	86,058,666	115,930,575
Cash advances obtained	19.4	(94,533,448)	36,239,823	527,032,651	(529,490,390)	(624,023,838)
Right-of-use assets	9, 19.7	(16,656,540)	(82,242,174)	(34,146,043)	26,372,856	43,029,396
Lease liabilities	12.4, 19.7	17,347,050	79,779,198	(27,520,382)	(26,177,746)	(43,524,796)
Stockholders —						
Cash advances granted	19.4	148,223,838	-	-	148,223,838	-
Key management personnel —						
Compensation and benefits	19.8	42,670,026	55,335,632	53,729,336	-	-

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 Phoenix Petroleum Philippines, Inc. (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, 2022 and 2021 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, 2022 and 2021 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 14) while the remaining fuel and lubricants inventory amounting to P96.2 Million and P112.0 Million as of December 31, 2022 and 2021, 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, 2022 and 2021 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 13).

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 14 and 15). 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 11 and 22.2).

Advances to and from Related Parties

In the normal course of business, the Group grants and obtains unsecured, non-interest-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, 2022 and 2021, 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 2022 and 2021 follows:

	<u>Parent Company</u>	<u>Associate</u>	<u>Related Parties under common Ownership</u>	<u>Stockholders</u>	<u>Total</u>
December 31, 2022					
Balance at beginning of year	P 7,406,704,900	P 271,874,967	P 115,930,575	P -	P 7,794,510,442
Advances (Collections)	(293,665,707)	-	(29,871,909)	148,223,838	(175,313,778)
Balance at end of year	<u>P 7,113,039,193</u>	<u>P 271,874,967</u>	<u>P 86,058,666</u>	<u>P 148,223,838</u>	<u>P 7,619,196,664</u>
December 31, 2021					
Balance at beginning of year	P 980,378,702	P 271,874,967	P 148,341,141	P -	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	<u>P 7,406,704,900</u>	<u>P 271,874,967</u>	<u>P 115,930,575</u>	<u>P -</u>	<u>P 7,794,510,442</u>

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 17.3).

Based on Management's assessment, no impairment loss is recognized in 2022 and 2021 related to the Advances granted to Related Parties (see Note 25.2).

The movement in the Advances from Related Parties account in 2022 and 2021 follows:

	<u>2022</u>	<u>2021</u>
Balance at beginning of year	P 624,023,838	P 587,784,015
Repayments	(94,533,448)	-
Obtained	-	36,239,823
Balance at end of year	<u>P 529,490,390</u>	<u>P 624,023,838</u>

In addition, the following table presents the outstanding balance of advances to officers and employees of the Company as of December 31, 2022 and 2021:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Advances to officers and employees	₱ 25,843,967	₱ 19,931,175

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

V. Ownership structure and parent company

As of December 31, 2022, Udenna Corporation owns 70.00% of the outstanding shares of the Company.

VI. Resignation of Directors

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

PART V – CORPORATE GOVERNANCE

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

The Manual features the following provisions:

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

certain important functions of the Board and of Management.

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

Compliance with Corporate Governance Manual

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

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

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

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

Corporate Governance Outlook

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

In addition, the Company has rolled out its Amended Employee Stock Option Plan, as approved during the Annual Stockholders' Meeting held on May 3, 2022. This will form part of the Company's program in recognizing and rewarding the performance of its employees beyond short-term financial measures. The implementation of this program is currently in process.

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

PART VI – EXHIBITS AND SCHEDULES

I. Exhibits and Reports on SEC Form 17-A

Annex A: Management’s Discussion & Analysis of Financial Condition and Results of Operations for the Year Ended December 31, 2022 and 2021

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

Annex C: Sustainability Report

II. Signatures

MANAGEMENT REPORT

I. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OPERATIONS

Chelsea Logistics and Infrastructure Holdings Corp. and its Subsidiaries' (CLIHC or the Group) Discussion and Analysis provides an overview of the Group's financial activities for the year ended December 31, 2022 and 2021. The following discussions should be read in conjunction with the attached Audited Consolidated Financial Statements of the Group as of December 31, 2022 and 2021.

Comparable discussion on Material Changes in Results of Operations for the period ending December 31, 2022 and 2021.

Amounts in millions (Php)	December 31					
	2022	%Rev	2021	%Rev	% Change	
Revenues	P 6,433	100%	P 4,469	100%	44%	
Cost of sales and services	5,670	88%	4,907	110%	16%	
Gross profit (loss)	763	12%	(439)	(10%)	274%	
Other operating expenses	1,114	17%	1,094	24%	2%	
Provision for expected credit losses	42	1%	396	9%	(89%)	
Operating profit (loss)	(393)	(6%)	(1,930)	(43%)	(80%)	
Finance cost, net	(1,333)	(21%)	(1,431)	(32%)	(7%)	
Share in net loss of associate	-	0%	(892)	(20%)	100%	
Other charges (income) - net	(744)	(12%)	282	6%	(364%)	
Profit (Loss) before tax	(2,470)	(38%)	(3,971)	(89%)	(38%)	
Tax expense (income)	57	1%	(65)	(1%)	187%	
Net profit (loss)	(P 2,527)	(39%)	(P 3,905)	(87%)	(35%)	
Add Back:						
Tax expense (income)	57	1%	(65)	(1%)	187%	
Depreciation and amortization	1,256	20%	1,484	33%	(15%)	
Interest expense	1,208	19%	1,403	31%	(14%)	
Impairment losses on property and equipment	624	10%	71	2%	779%	
Impairment losses on investment properties	233	4%	-	0%	100%	
Loss (gain) on debt modification	(134)	(2%)	-	0%	100%	
Unrealized foreign currency exchange losses	125	2%	13	0%	863%	
Impairment of goodwill	64	1%	10	0%	516%	
Provision for expected credit losses	42	1%	396	9%	(89%)	
Share option benefit expense	19	0%	6	0%	216%	
Share in net loss of an associate	-	0%	892	20%	(100%)	
Gain on redemption of preferred shares	-	0%	(355)	(8%)	(100%)	
Gain on sale of an asset held for sale	-	0%	(145)	(3%)	(100%)	
Interest income	(4)	(0%)	(1)	(0%)	503%	
Other income (charges)	(3)	(0%)	183	4%	(102%)	
Adjusted EBITDA	P 959	15%	(P 12)	(0%)	(8136%)	

The COVID-19 pandemic and containment actions implemented by the Philippine Government upset domestic activity and trade. Although most containment measures have been relaxed and businesses have re-opened, as of December 31, 2022, there is still the risk of new variants of the virus. In addition, at the start of 2022, the escalating geopolitical tensions in Europe caused by the Russian-Ukraine conflict, produced cascading effects on the world economy already battered by the pandemic. This caused an unprecedented increase in fuel prices that hit oil-exporting developing countries like the Philippines.

The double blow of the lingering effects of COVID-19 outbreak and the rising fuel prices hampered the anticipated economic and business recovery of the Group during the year.

Nevertheless, CLIHC and subsidiaries reported a 35% reduction in its Consolidated Net Loss after Tax posting ₱2,527 Million in 2022 from ₱3,905 Million in 2021.

The substantial improvement in the Group's consolidated revenues alleviated the effects of the pandemic and rising fuel prices. The Group achieved an increase in consolidated revenues by 44% to ₱6,433 Million in the current year primarily driven by the improvement in revenue performance of all business segments with the abatement of most of the containment restrictions implemented during the COVID-19 pandemic. The relaxation of containment restrictions allowed businesses to re-open, which increased the movement of goods and passenger volume during the year.

Passage revenue rose to ₱1,225 Million, up by more than 3x year on year from ₱293 Million in 2021, which is attributable to higher passage volume as well as rates. Passenger volume surged by 174% to 1,874,301 passengers during the period. Likewise, passage-related Sale of Goods segment grew by 137% to ₱115 Million. Freight revenue continued to grow, posting a 24% escalation to ₱3,383 Million this year. The Chartering and Tugboat segments of the Group, each contributed 30% growth in the topline, and generated ₱718 Million and ₱424 Million in current revenues, respectively. The positive results of the Shipping segment were attained despite vessel availability issues which was countered by deploying vessels to profitable routes, and by managing the drydock schedules of vessels to ensure their immediate return to trading. Moreover, the Logistics segment provided a 7% increase year on year to ₱552 Million. The increase in Vessel, Truck and Warehouse Utilization lessened the negative impact of rising fuel prices in 2022.

The Group continues to implement cost containment measures. Direct Cost Ratio to Revenues was reduced to 88% in the current year from 110% in the prior year. The increase in Consolidated Direct Costs was only 16% this year.

The significant growth in the topline, coupled with the conscientious efforts to manage cost and the increased utilization of profit-generating assets, helped the Group in reversing its negative Gross Margin of 10% in 2021 to a Gross Profit Margin of 12% in 2022.

The Group thoroughly considered and set aside the expected credit loss this period of P42 Million in addition to P396 Million provided in 2021 to uplift the coverage as well as to closely monitor asset quality.

As a result of the measures taken by the Group, Consolidated Operating Loss was significantly reduced to ₱393 Million or by 80% from ₱1,930 Million for the same period last year.

The Group's Finance cost was ₱1,333 Million, a 7% decrease from prior year of ₱1,431 Million with the loan restructuring secured by the Group.

Investment cost in Dito Holdings Corp., an associate as of December 31, 2022 is at NIL hence no share in Net Loss was taken up this year, a 100% drop from P892 Million incurred in 2021.

Net Other Income in the period amounted to ₱744 Million from last year's Net Other Charges of ₱276 Million and comprised the following loss (income) items:

Amounts in millions Php	December 31				
	2022	%/Rev	2021	%/Rev	% Change
Gain on debt modification ¹	(134)	(3%)	0	0%	100%
Impairment losses on property and equipment ²	624	14%	71	2%	779%
Impairment loss on investment property ³	233	5%	0	0%	100%
Gain on sale of an asset held for sale ⁴	0	0%	(145)	(3%)	(100%)
Gain on redemption of preferred shares ⁵	0	0%	(355)	(8%)	(100%)
Impairment of goodwill ⁶	64	1%	10	0%	516%
Other Charges (Income)	(43)	(1%)	143	3%	(130%)
Gain on pre-termination of time charter contract ⁷	0	0%	(313)	(7%)	(100%)
Loss (Gain) on sale of vessels and equipment ⁸	(3)	(0%)	496	11%	(101%)
Miscellaneous	(40)	(1%)	(41)	(1%)	(1%)
Net Other Loss (Income)	744	17%	(276)	(6%)	(369%)

¹ In 2022, part of the Group's loans was restructured generating gain of ₱134 Million on debt modification.

² Certain vessels of the Group were impaired during the year amounting to ₱624 Million which includes loss taken up on MV TransAsia 1 which caught fire in 2022.

³ Impairment loss on investment property of the Group amounted to ₱233 Million pertaining to the cost of construction project of a warehouse terminated during the year.

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 Michael, Inc. (MI) and Bunkers Manila, Inc. (BMI) was determined to be unrecoverable and an Impairment Loss was taken up, amounting to ₱64 Million in 2022 and ₱10 Million in 2021, respectively.

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 ₱141 Million was recognized. Total Loss on sale of vessels and equipment totaled ₱496 Million during the year.

The Group's overall financial performance during the year translates to a ₱1.341 Loss per Basic and Diluted Share, an increase from ₱2.143 loss in the same period in 2021.

The Group posted adjusted EBITDA of ₱959 Million, a reversal from the adjusted negative EBITDA of ₱12 Million in 2021, substantially due to reduction in Net Losses of the Group year on year.

Financial Condition

December 31, 2022 versus December 31, 2021

Amounts in millions ₱	2022	2021	% Change
Current Assets	10,668	11,038	(3%)
Non-Current Assets	22,262	23,084	(4%)
Total Assets	32,930	34,122	(3%)
Current Liabilities	16,266	16,135	1%
Non-Current Liabilities	12,889	12,337	4%
Total Liabilities	29,155	28,472	2%
Total Equity	3,775	5,650	(33%)
Total Liabilities and Equity	32,930	34,122	(3%)

The Group's Financial Condition during both periods is almost the same. However, the total Equity of the Group decreased by 33% to ₱3,775 Million against the ₱5,650 Million last year. This was due to additional losses this year amounting to ₱2,527 Million which were however offset by additional equity on the collection of subscription receivable from the parent company. This resulted to a decrease in Book Value per Share to ₱1.97 in 2022 from ₱3.10 in 2021.

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.

CLHC and Subsidiaries thoroughly considered and set aside the expected credit loss this year of ₱396 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 in 2021, a 15% drop from prior year's combined share in losses of ₱1,046 million from associates – DHC at ₱149 million, 2GO Group, Inc. at ₱206 million, and Dito Telecommunity Corp. (DTC) at ₱691 million.

Net Other Income in the period amounted to ₱347 million compared to ₱1,846 million in prior year and comprised the following loss (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 Charges (Income)	143	3%	(98)	-2%	-245%
Gain on pre-termination of time charter contract ⁷	(313)	-7%	0	0%	100%
Loss (Gain) 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 Loss (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 indirectly 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 ₱141 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 121% 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 were 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 merely due to 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		December 31, 2019		Change	
	Amount	%	Amount	%	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 ₱2,480 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

Amounts in millions	December 31, 2020		December 31, 2019		Change	
	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.

Key Performance Indicators and Relevant Ratios

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

	2022	2021	2020
Current ratio	0.66	0.68	0.30
Debt-to-equity ratio	7.73	5.04	2.94
Book value per share	1.97	3.10	5.21
EBITDA margin	14%	-0.69%	4%
Return on equity	-67%	-69%	-35%
Loss per share	-1.33	-2.143	-1.82

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.

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



P&A
Grant Thornton

FOR SEC FILING

Consolidated Financial Statements and
Independent Auditors' Report

**Chelsea Logistics and Infrastructure
Holdings Corp. and Subsidiaries**

December 31, 2022, 2021 and 2020

CHELSEA LOGISTICS AND INFRASTRUCTURE HOLDINGS CORP. AND SUBSIDIARIES
(A Subsidiary of Udenna Corporation)
INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES
DECEMBER 31, 2022

Financial Statements

Statement of Management's Responsibility for Consolidated Financial Statements
Independent Auditors' Report
Consolidated Statements of Financial Position as of December 31, 2022 and 2021
Consolidated Statements of Profit or Loss for the year ended December 31, 2022, 2021 and 2020
Consolidated Statements of Comprehensive Income for the year ended December 31, 2022, 2021 and 2020
Consolidated Statements of Changes in Equity for the year ended December 31, 2022, 2021 and 2020
Consolidated Statements of Cash Flows for the year ended December 31, 2022, 2021 and 2020
Notes to Consolidated Financial Statements

Supplementary Schedules

Report of Independent Auditors on Supplementary Schedules Filed Separately
from the Basic Consolidated Financial Statements

Schedule	Description
A	Financial Assets
B	Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related Parties)
C	Amounts Receivable and Payable from Related Parties which are Eliminated during the Consolidation of Financial Statements
D	Intangible Assets - Other Assets
E	Long-Term Debt
F	Indebtedness to Related Parties
G	Guarantees of Securities of Other Issuers
H	Capital Stock

Reconciliation of Retained Earnings Available for Dividend Declaration
Map Showing the Relationship Between and Among Related Entities
Financial Soundness Indicators

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, 2022, 2021 and 2020 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

SUBSCRIBED AND SWORN to before me this MAR 24 2023 day of 2023 at Taguig City, affiants exhibited to me their respective TIN.

Doc. No. 256
Page No. 53
Book No. 33
Series of 2023

ATTY. ROMEO M. MONFORT
Notary Public City of Makati
Until December 31, 2023

Appointment No. M-172 (2022-2023)
PTR No. 9563251 Jan. 3, 2020 Makati City
IBP No. 170089 /2/14/2022 Pasig
MCLE No. VI-0023417 Apr. 14, 2019
Extended Until Apr. 14, 2023, Roll No. 27932
126 Amoroso Street, Legaspi Village
Makati City



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
(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, 2022 and 2021, 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, 2022, 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, 2022 and 2021, and its consolidated financial performance and their consolidated cash flows for each of the three years in the period ended December 31, 2022 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, the impact of the Russia-Ukraine conflict, and the increasing liquidity risk arising from the Group's high debt-leveraged status. 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 P6,432.8 million for the year ended December 31, 2022.

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 associated 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 presented in Notes 2 and 24, 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, 2022, the Group's goodwill amounted to P1,774.1 million. 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 23 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; 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 P14,446.1 million, 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. The fair value is determined 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 is considered 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.

The methods and assumptions used in determining the fair value of vessels are more fully described in Notes 3 and 27 to the consolidated financial statements, while the revalued amount of vessels and vessel equipment as at December 31, 2022 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;
- 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; 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 Group incurred a net loss of P2,526.6 million for the year ended December 31, 2022 and reported a deficit of P9,505.4 million as of December 31, 2022. In our view, the management's assessment of the going concern basis of accounting is a key audit matter due to the following factors:

- The ongoing Russia-Ukraine military conflict caused an unprecedented increase in the fuel prices and other overheads, which are essential to the Group's operations;
- Despite the easing of restrictions, most of the businesses are still recuperating from the adverse impact of the COVID-19 pandemic and are yet to resume pre-pandemic level of operations; and,
- The Group is highly debt-leveraged, which exposes the Group to increasing liquidity risk.

In consideration of the above, 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 judgment and high degree of estimation uncertainty. The management's assessment includes, among others, financial forecasts 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;
- 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, 2022, 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. 9566640, January 3, 2023, Makati City
SEC Group A Accreditation
Partner - No. 90741-SEC (until financial period 2025)
Firm - No. 0002 (until Dec. 31, 2024)
BIR AN 08-002511-019-2020 (until Dec. 21, 2023)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

March 24, 2023

CHELSEA LOGISTICS AND INFRASTRUCTURE HOLDINGS CORP. AND SUBSIDIARIES
(A Subsidiary of Udenna Corporation)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021
(Amounts in Philippine Pesos)

	Notes	2022	2021
<u>A S S E T S</u>			
CURRENT ASSETS			
Cash and cash equivalents	4	P 236,810,520	P 269,690,887
Trade and other receivables - net	5	790,049,031	1,055,240,918
Inventories	6	268,514,059	497,453,817
Advances to related parties	19	7,619,279,150	7,794,510,442
Other current assets	7	1,753,266,343	1,421,224,113
		10,667,919,103	11,038,120,177
NON-CURRENT ASSETS			
Investment properties - net	8	1,270,907,961	1,432,307,437
Property and equipment - net	9	18,417,588,495	19,033,334,369
Investments in associates and a joint venture	10	81,001,440	81,001,440
Goodwill - net	23	1,774,083,332	1,838,002,446
Post-employment benefit asset	16	1,800,436	1,800,436
Deferred tax assets - net	18	47,274,610	130,507,493
Other non-current assets - net	11	669,531,351	567,393,967
		22,262,187,625	23,084,347,588
		P 32,930,106,728	P 34,122,467,765
TOTAL ASSETS		P 32,930,106,728	P 34,122,467,765

	Notes	<u>2022</u>	<u>2021</u>
<u>LIABILITIES AND EQUITY</u>			
CURRENT LIABILITIES			
Trade and other payables	13	P 10,135,381,716	P 9,348,529,006
Interest-bearing loans and borrowings	12	5,345,356,964	6,045,249,030
Advances from related parties	19	529,490,390	624,023,838
Advances from customers	2	249,583,990	115,768,247
Income tax payable		<u>6,132,313</u>	<u>1,563,179</u>
Total Current Liabilities		<u>16,265,945,373</u>	<u>16,135,133,300</u>
NON-CURRENT LIABILITIES			
Interest-bearing loans and borrowings	12	12,425,273,124	12,034,180,267
Post-employment benefit obligation	16	88,859,075	80,016,237
Deferred tax liabilities - net	18	370,764,425	218,943,926
Other non-current liabilities		<u>3,935,500</u>	<u>3,935,500</u>
Total Non-current Liabilities		<u>12,888,832,124</u>	<u>12,337,075,930</u>
Total Liabilities		<u>29,154,777,497</u>	<u>28,472,209,230</u>
EQUITY			
Equity attributable to shareholders of the Company	20		
Capital stock		1,916,227,615	1,821,977,615
Deposits on future stock subscriptions		-	720,425,000
Additional paid-in capital		10,709,745,157	9,998,370,157
Share options outstanding		41,572,709	22,812,287
Revaluation reserves		1,491,255,887	1,050,911,063
Other reserves		(1,058,033,280)	(1,058,033,280)
Deficit		(9,505,438,857)	(7,086,204,307)
		<u>3,595,329,231</u>	<u>5,470,258,535</u>
Non-controlling interest	20	<u>180,000,000</u>	<u>180,000,000</u>
Total Equity		<u>3,775,329,231</u>	<u>5,650,258,535</u>
TOTAL LIABILITIES AND EQUITY		<u>P 32,930,106,728</u>	<u>P 34,122,467,765</u>

See Notes to Consolidated Financial Statements.

CHELSEA LOGISTICS AND INFRASTRUCTURE HOLDINGS CORP. AND SUBSIDIARIES
(A Subsidiary of Udenna Corporation)
CONSOLIDATED STATEMENTS OF PROFIT OR LOSS
FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020
(Amounts in Philippine Pesos)

	Notes	<u>2022</u>	<u>2021</u>	<u>2020</u>
REVENUES	24	P 6,432,753,269	P 4,468,563,672	P 4,678,919,363
COST OF SALES AND SERVICES	14	<u>5,669,545,551</u>	<u>4,907,365,920</u>	<u>5,227,298,922</u>
GROSS PROFIT (LOSS)		763,207,718	(438,802,248)	(548,379,559)
OTHER OPERATING EXPENSES	15	1,114,334,027	1,094,471,418	1,041,857,296
EXPECTED CREDIT LOSSES ON RECEIVABLES	5	<u>41,872,781</u>	<u>396,386,975</u>	<u>761,569,714</u>
OPERATING LOSS		<u>(392,999,090)</u>	<u>(1,929,660,641)</u>	<u>(2,351,806,569)</u>
OTHER INCOME (CHARGES) - Net				
Finance costs	17	(1,337,415,673)	(1,431,040,620)	(1,302,488,868)
Impairment losses on property and equipment	9	(624,441,740)	(71,040,998)	(70,755,801)
Impairment loss on investment properties	8	(232,607,476)	-	-
Gain (loss) on debt modification	12	134,355,784	-	(86,612,580)
Impairment loss on goodwill	23	(63,919,114)	(10,375,700)	-
Finance income	17	4,105,441	6,034,750	23,377,557
Share in net loss of associates	10	-	(892,225,943)	(1,046,368,576)
Gain on sale of an asset held for sale	17	-	144,605,713	-
Gain on bargain purchase	17	-	-	1,184,509,480
Gain on sale of an associate	17	-	-	983,615,152
Loss on remeasurement of previously-held interest	17	-	-	(333,347,312)
Gain on redemption of preferred shares	17	-	355,489,306	-
Other income (loss) - net	17	<u>42,988,497</u>	<u>(142,531,515)</u>	<u>98,328,959</u>
		<u>(2,076,934,281)</u>	<u>(2,041,085,007)</u>	<u>(549,741,989)</u>
LOSS BEFORE TAX		<u>(2,469,933,371)</u>	<u>(3,970,745,648)</u>	<u>(2,901,548,558)</u>
TAX EXPENSE (INCOME)	18	<u>56,680,786</u>	<u>(65,478,691)</u>	<u>409,401,046</u>
NET LOSS		<u>(P 2,526,614,157)</u>	<u>(P 3,905,266,957)</u>	<u>(P 3,310,949,604)</u>
Loss Per Share (Basic and Diluted)	21	<u>(P 1.341)</u>	<u>(P 2.143)</u>	<u>(P 1.817)</u>

See Notes to Consolidated Financial Statements.

CHELSEA LOGISTICS AND INFRASTRUCTURE HOLDINGS CORP. AND SUBSIDIARIES
(A Subsidiary of Udenna Corporation)
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020
(Amounts in Philippine Pesos)

	Notes	2022	2021	2020
NET LOSS		(P 2,526,614,157)	(P 3,905,266,957)	(P 3,310,949,604)
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Revaluation of vessels	9	714,299,589	(97,809,298)	(297,170,375)
Remeasurement of post-employment benefit oblig.	16	34,014,774	60,163,065	(22,739,222)
Tax income	18	(200,672,418)	41,974,764	(46,862,608)
		547,641,945	4,328,531	(366,772,205)
Items that will be reclassified subsequently to profit or loss –				
Currency exchange differences on translating financial statements of foreign operations	2	82,486	1,618,520	154,306
Other Comprehensive Income (Loss) - net of tax		547,724,431	5,947,051	(366,617,899)
OTHER COMPREHENSIVE LOSS		(1,978,889,726)	(3,899,319,906)	(3,677,567,503)
TOTAL COMPREHENSIVE LOSS		(P 1,978,889,726)	(P 3,899,319,906)	(P 3,677,567,503)

See Notes to Consolidated Financial Statements.

CHELSEA LOGISTICS AND INFRASTRUCTURE HOLDINGS CORP. AND SUBSIDIARIES
(A Subsidiary of Udenna Corporation)
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020
(Amounts in Philippine Pesos)

Notes	Attributable to Owners of the Parent Company								Non-controlling Interest	Total Equity
	Capital Stock	Deposits on Future Stock Subscriptions	Additional Paid-in Capital	Share Options Outstanding	Revaluation Reserves	Other Reserves	Retained Earnings (Deficit)	Total		
Balance at January 1, 2022	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
Subscriptions of common shares during the year	20 93,750,000	(305,625,000)	211,875,000	-	-	-	-	85,200,000	-	85,200,000
Issuance of preferred shares during the year	20 500,000	(414,800,000)	499,500,000	-	-	-	-	-	-	-
Total comprehensive loss for the year	-	-	-	-	-	-	(2,526,614,157)	(2,526,614,157)	-	(2,526,614,157)
Net loss	-	-	-	-	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	547,724,431	-	-	547,724,431	-	547,724,431
Share-based compensation	20 -	-	-	18,760,422	-	-	-	18,760,422	-	18,760,422
Transfer of revaluation reserves through depreciation, net of tax	20 -	-	-	-	(107,379,607)	-	107,379,607	-	-	-
Balance at December 31, 2022	20 P 1,916,227,615	P -	P 10,709,745,157	P 41,572,709	P 1,491,255,887	(P 1,058,033,280)	(P 9,505,438,857)	P 3,595,329,231	P 180,000,000	P 3,775,329,231
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
Additions during the year	20 -	57,828,800	-	-	-	-	-	57,828,800	-	57,828,800
Acquisition of shares from minority	-	-	-	-	-	-	30,363,269	30,363,269	(30,363,269)	-
Total comprehensive loss for the year	-	-	-	-	-	-	(3,905,266,957)	(3,905,266,957)	-	(3,905,266,957)
Net loss	-	-	-	-	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	5,947,051	-	-	5,947,051	-	5,947,051
Share-based compensation	20 -	-	-	5,943,224	-	-	-	5,943,224	-	5,943,224
Transfer of revaluation reserves through depreciation, net of tax	20 -	-	-	-	(156,473,908)	-	156,473,908	-	-	-
Balance at December 31, 2021	20 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	20 -	662,596,200	-	-	-	-	-	662,596,200	30,363,269	692,959,469
Total comprehensive loss for the year	-	-	-	-	-	-	(3,310,949,604)	(3,310,949,604)	-	(3,310,949,604)
Net loss	-	-	-	-	-	-	-	-	-	-
Other comprehensive loss	-	-	-	-	(366,617,899)	-	-	(366,617,899)	-	(366,617,899)
Share-based compensation	20 -	-	-	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	20 -	-	-	-	(127,408,835)	-	127,408,835	-	-	-
Balance at December 31, 2020	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

See Notes to Consolidated Financial Statements.

CHELSEA LOGISTICS AND INFRASTRUCTURE HOLDINGS CORP. AND SUBSIDIARIES
(A Subsidiary of Udenna Corporation)
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020
(Amounts in Philippine Pesos)

	Notes	2022	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss before tax		(P 2,469,933,371)	(P 3,970,745,648)	(P 2,901,548,558)
Adjustments for:				
Depreciation and amortization	9, 11	1,255,702,826	1,484,181,534	1,675,721,855
Interest expense	17	1,208,342,599	1,403,290,901	1,300,967,463
Impairment losses on property and equipment	9	624,441,740	71,040,998	70,755,801
Impairment losses on investment properties	8	232,607,476	-	-
Loss (gain) on debt modification	12	(134,355,784)	-	86,612,580
Unrealized foreign currency exchange losses - net	17	124,988,169	12,975,444	-
Impairment losses on goodwill	23	63,919,114	10,375,700	-
Share option benefit expense	20	18,760,422	5,943,224	16,869,063
Interest income	17	(3,859,469)	(640,268)	(497,226)
Loss (gain) on sale of property and equipment	17	(2,893,508)	495,936,979	(50,038,745)
Gain on sale of assets held for sale	17	-	(144,605,713)	(983,615,152)
Share in net loss of associates	10	-	892,225,943	1,046,368,576
Gain on redemption of preferred shares	17	-	(355,489,306)	-
Gain on bargain purchase	17	-	-	(1,184,509,480)
Gain on retirement on property and equipment	17	-	-	(23,863,984)
Loss on remeasurement of previously-held interest	17	-	-	333,347,312
Operating profit (loss) before working capital changes		917,720,213	(95,510,212)	(613,430,495)
Decrease in trade and other receivables		265,191,887	673,798,843	747,606,386
Decrease (increase) in inventories		228,939,758	115,167,504	(65,817,368)
Decrease (increase) in advances to related parties		175,231,292	250,206,312	(314,467,708)
Increase in other current assets		(410,568,063)	(173,544,719)	(158,275,661)
Decrease in post-employment benefit asset		-	4,154,768	1,718,694
Decrease (increase) in other non-current assets		(46,179,442)	(93,307,612)	41,923,349
Increase (decrease) in trade and other payables		105,631,318	(91,861,802)	973,597,461
Increase in advances from customers		133,815,743	52,646,543	7,333,519
Increase in post-employment benefit obligation		42,857,612	26,392,961	34,518,538
Increase (decrease) in other non-current liabilities		-	(71,298,444)	4,950,042
Cash generated from operations		1,412,640,318	596,844,142	659,656,757
Interest received		3,859,469	640,268	497,226
Cash paid for income taxes		(1,600,984)	(7,377,558)	(12,666,078)
Net Cash From Operating Activities		1,414,898,803	590,106,852	647,487,905
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of property and equipment	9	(434,694,521)	(269,115,281)	(219,072,100)
Proceeds from disposal of property and equipment	9	4,141,328	447,352,689	492,333,802
Proceeds from disposal of other non-current assets held for sale	17	-	28,733,405	-
Additional investment in a subsidiary and a joint venture	10	-	-	(219,609)
Net Cash From (Used in) Investing Activities		(430,553,193)	206,970,813	273,042,093
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayments of interest-bearing loans and borrowings	12	(546,238,298)	(391,890,832)	(771,406,165)
Interest paid		(461,654,232)	(655,053,098)	(1,057,077,426)
Repayments of advances from related parties	19	(94,533,448)	-	(266,615,985)
Proceeds from deposits for future stock subscriptions	20	85,200,000	57,828,800	662,596,200
Proceeds from interest-bearing loans and borrowings	12	-	286,281,556	275,667,888
Proceeds from advances from related parties	19	-	36,239,823	-
Net Cash Used In Financing Activities		(1,017,225,978)	(666,593,751)	(1,156,835,488)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(32,880,367)	130,483,914	(236,305,490)
CASH AND CASH EQUIVALENTS FROM ACQUIRED SUBSIDIARY	2	-	-	283,958
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		269,690,887	139,206,973	375,228,505
CASH AND CASH EQUIVALENTS AT END OF YEAR		P 236,810,520	P 269,690,887	P 139,206,973

See Notes to Consolidated Financial Statements.

CHELSEA LOGISTICS AND INFRASTRUCTURE HOLDINGS CORP. AND SUBSIDIARIES
(A Subsidiary of Udenna Corporation)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022, 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 April 4, 2022, the SEC approved the Company's application for increase in authorized capital stock. Relative to this, the previously recognized Deposit on Future Stock Subscription was reclassified to Capital Stock and Additional Paid-in Capital (APIC). The approval resulted in the increase in Udenna Corporation (Udenna)'s effective ownership interest in the Company from 70% in 2021 to 75% in 2022 (see Note 20).

The Company is a subsidiary of 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, 2022 and 2021, the Company holds ownership interests in the following subsidiaries and associates:

Company Name	Explanatory Notes	Percentage of Ownership	
		2022	2021
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%

Company Name	Explanatory Notes	Percentage of Ownership	
		2022	2021
Subsidiaries through direct interest:			
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%	100%
Associate –			
Dito Holdings Corporation (DHC)	(y)	10.54%	10.54%

¹Wholly owned subsidiary of CSC

²Wholly owned subsidiary of FTC

³Wholly owned subsidiary of Trans-Asia

⁴Wholly owned subsidiary of Starlite

⁵60.29% 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.
- (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, 2022, 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, 2022.
- (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, 2022, 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.
- (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, 2022.

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

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

1.3 Impact of Russia – Ukraine Conflict and Continuing Impact of COVID-19 Pandemic on the Group's Businesses

The COVID-19 pandemic and the containment measures implemented by the government disrupted domestic businesses and trade. Although the spread of the virus has abated, and most of health and safety restrictions have been relaxed, and businesses have re-opened as of the end of 2022, the threat of new variants of the virus remain.

In early 2022, the escalating geopolitical tensions in Europe caused an unprecedented increase in fuel prices that hit oil-exporting developing countries like the Philippines.

The combined continuing effects of COVID-19 outbreak and the rising fuel prices hampered the anticipated business recovery of the Group during the year. In response to these matters, the Group has taken the following actions:

- Increased the number of vessels put into operation and/or trading status as funds become available to generate more revenues;
- Rationalized routes and deployed vessels to the most profitable routes;
- Reduced non-essential capital expenditure and deferred or cancelled discretionary spend;
- Suspended non-urgent recruitment;
- Divested certain investments and disposed underperforming and non-performing assets;
- Negotiated for longer payment terms with business partners, creditors and suppliers;

- Conducted a Liability Management Exercise (LME) with bankers and other financial institutions for the refinancing or restructuring of existing debt, or deferring payment 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]; and,
- Obtained additional capital infusion from existing stockholders and other investors in 2021 and 2020.

With the above actions taken, the Group's revenues increased by 44% from 2021. Revenues from all segments grew from prior year with revenue from passage posting the highest growth by 318% due to the easing of travel restrictions.

In addition, the Group was also able to gradually bring back some vessels to operating status upon completion of drydocking. Consequently, operations improved significantly albeit tempered by surging fuel prices during the first half of 2022. The Group recognized gross profit of P763.2 million in 2022 million as compared to the gross loss amounting to P438.8 million in 2021.

Further, the Group's net loss before tax significantly decreased from P3,970.7 million in 2021 to P2,469.9 million in 2022. This is attributable to the continuous cost containment measures implemented and reduction in additional impairment losses in receivables.

Management will continue to take actions to improve the operations of the Group. Based on these factors, the Group projects sufficient cash flows to fund for its operations. The Group also projects recovery from the financial and operational risks of the pandemic and the Russia-Ukraine conflict. 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 years ended December 31, 2022 (including the comparative consolidated financial statements as of December 31, 2021 and for the years ended December 31, 2021 and 2020) were authorized for issue by the Company's Board Of Directors (BOD) on March 24, 2023.

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 and in the succeeding pages. 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 and 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 Amended PFRS

(a) *Effective in 2022 that are Relevant to the Group*

The Group adopted for the first time the following amendments and annual improvements to PFRS, which are mandatorily effective for annual periods beginning on or after January 1, 2022:

PFRS 3 (Amendments)	:	Business Combination – Reference to the Conceptual Framework
PAS 16 (Amendments)	:	Property, Plant and Equipment – Proceeds Before Intended Use
PAS 37 (Amendments)	:	Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract
Annual Improvements to PFRS (2018-2020 Cycle)		
PFRS 9 (Amendments)	:	Financial Instruments – Fees in the '10 percent' Test for Derecognition of Liabilities
PFRS 16 (Amendments)	:	Leases – Lease Incentives

Discussed below are the relevant information about these pronouncements:

- (i) PFRS 3 (Amendments), *Business Combination – Reference to the Conceptual Framework*. The amendments update an outdated reference to the Conceptual Framework in PFRS 3 without significantly changing the requirements in the standard. The amendments had no significant impact on the Group's consolidated financial statements.
- (ii) PAS 16 (Amendments), *Property, Plant and Equipment – Proceeds Before Intended Use*. The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss. The application of these amendments had no significant impact on the Group's consolidated financial statements as there were no sales of such items produced by property, plant and equipment made before being available for use on or after the beginning of the earliest period presented.
- (iii) PAS 37 (Amendments), *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract*. The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services. Costs that relate directly to a contract include both incremental costs of fulfilling that contract (e.g., direct labor and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g., the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). The amendments resulted in a revision in the Group's policy to include both incremental costs and an allocation of other costs when determining whether a contract was onerous. The amendments apply prospectively to contracts existing at the date when the amendments are first applied. Management assessed that there is no significant impact on the Group's consolidated financial statements as a result of the change since none of the existing contracts as of January 1, 2022 would be identified as onerous after applying the amendments.
- (iv) Annual Improvements to PFRS 2018-2020 Cycle. Among the improvements, the following amendments which do not have significant impact and which are effective from January 1, 2022, are relevant to the Group's consolidated financial statements:
 - PFRS 9 (Amendments), *Financial Instruments – Fees in the '10 percent' Test for Derecognition of Liabilities*. The amendments clarify the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.
 - Illustrative Examples Accompanying PFRS 16, *Leases – Lease Incentives*. The amendments remove potential for confusion regarding lease incentives by deleting from Illustrative Example 13 the reimbursement relating to leasehold improvements as it had not been explained clearly enough as to whether the reimbursement would meet the definition of a lease incentive in accordance with PFRS 16.

(b) *Effective in 2022 that are not Relevant to the Group*

Among the improvements to PFRS 2018-2020 Cycle, the following amendments, which are effective from January 1, 2022 are not relevant to the Group:

- (i) PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards – Subsidiary as a First-time Adopter*
- (ii) PAS 41, *Agriculture – Taxation in Fair Value Measurements*

(c) *Effective Subsequent to 2022 but not Adopted Early*

There are amendments and improvements to existing standards effective for annual periods subsequent to 2022, 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) PAS 1 (Amendments), *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current* (effective from January 1, 2023)
- (ii) PAS 1 and PFRS Practice Statement 2 (Amendments), *Presentation of Financial Statements – Disclosure of Accounting Policies* (effective from January 1, 2023)
- (iii) PAS 8 (Amendments), *Accounting Estimates – Definition of Accounting Estimates* (effective from January 1, 2023)
- (iv) PAS 1 (Amendments), *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current* (effective from January 1, 2023)
- (v) PAS 12 (Amendments), *Income Taxes – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction* (effective from January 1, 2023)
- (vi) PFRS 10 (Amendments), *Consolidated Financial Statements*, and PAS 28 (Amendments), *Investments in Associates and Joint Ventures – Sale or Contribution of Assets Between an Investor and its Associates or Joint Venture* (effective date deferred indefinitely)

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 2.14). 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 2.20).

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 2.20).

(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 24, 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.

2.5 Current versus Non-current classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current or non-current classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within 12 months after the reporting period; or,
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within 12 months after the reporting period; or,
- There is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred income tax assets and liabilities are classified as non-current assets and liabilities.

2.6 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.

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.

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.

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.

2.7 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.

2.8 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 2.9).

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 27.4).

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 2.22) 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 2.20).

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.

2.9 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 2.8). 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 2.8).

2.10 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.

CIP represents an investment property under construction and is stated at cost. This includes costs of construction, applicable borrowing costs (see Note 2.22) 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 2.20).

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.

2.11 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.

2.12 Financial Liabilities

Financial liabilities, which include interest-bearing loans and borrowings, 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 2.18). 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 2.22). All other interest-related charges incurred on a financial liability are recognized as an expense 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. Financial liabilities are also derecognized when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. 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.

2.13 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.

2.14 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 2.20). 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.

2.15 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.

2.16 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.

2.17 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 2.18(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 2.22).

2.18 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 2.20).

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*

Leases which do not transfer to the lessee substantially all the risks and benefits of ownership of the asset are classified as operating leases. Lease income from operating leases is recognized as income in profit or loss on a straight-line basis over the lease term.

2.19 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)
- (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; and,
- (iv) 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.

2.20 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.

2.21 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 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 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.

2.22 Borrowing Costs

Borrowing costs, which consists of interest and other costs that the Group incurs in connection with borrowing of funds, are recognized as expenses 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 (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 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.

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

2.23 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 current tax 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 deferred tax 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.

2.24 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.

2.25 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:

- There is a lack or insufficiency of authorized unissued shares of stock to cover the deposit;
- 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,
- 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 has assessed that despite the dilution of effective ownership interest in DHC in 2020 (see Note 10.1), 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 (see Note 2.22).

(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 to investment properties, which consists of land and CIP (see Notes 8 and 9). Based on management's judgment, due to re-evaluation of the use of the properties, these properties' future use is currently undetermined. There was no similar transaction in 2022.

(h) *Going Concern Assumptions*

The Group prepares consolidated financial statements on a going concern basis unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so. When the management is aware of material uncertainties related to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern, the Group shall disclose those uncertainties in the consolidated financial statements.

In assessing whether the going concern assumption is appropriate, management considers all available information about the future, which is at least, but is not limited to, 12 months from the end of the reporting period. The degree of consideration depends on the facts in each case. Management also considers a wide range of factors relating to current and expected profitability, drydocking and expected capitalization of such costs, debt repayment schedules, and potential sources of replacement. As more fully disclosed in Note 1.3, management concluded that the Group will continue as a going concern entity.

(i) *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 2.16 and relevant disclosures are presented in Note 22.

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 end of the reporting period 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.

There were no changes made in these accounting estimates in 2022 and 2021.

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

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 27.4.

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 2022 and 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 27.4 to the consolidated financial statements is determined by the Group 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 27.4 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.

(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 2.20). 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.

The Group recognized impairment losses on certain property and equipment amounting to P624.4 million and P71.0 million in 2022 and 2021, respectively (see Note 9). Also, in 2022, the Group recognized impairment losses attributable to investment properties and goodwill amounting to P232.6 million and P63.9 million, respectively (see Notes 8 and 23).

(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 16.2.

(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 20.5, 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.

On October 28, 2022, the Company's BOD approved the change in the subscription price to P3.99 per share as stipulated in the amended Employee Stock Option Plan (the ESOP). This change was applied prospectively from the date of approval and resulted in an increase in share options expense totaling to P18.8 million during the year (see Note 20.5).

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components:

	<u>2022</u>	<u>2021</u>
Cash on hand and in banks	P 224,153,758	P 257,005,823
Short-term placements	<u>12,656,762</u>	<u>12,685,064</u>
	<u>P 236,810,520</u>	<u>P 269,690,887</u>

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 2022, 2021 and 2020.

The balances of cash and cash equivalents as of December 31, 2022 and 2021 did not include cash in bank amounting to amount of P5.3 million and P6.6 million in 2022 and 2021, respectively, which is shown as Restricted cash under the Other Current Assets and Other Non-current Assets accounts in the consolidated statements of financial position (see Notes 7 and 11). 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 12.1).

5. TRADE AND OTHER RECEIVABLES

This account is composed of the following:

	<u>Notes</u>	<u>2022</u>	<u>2021</u>
Trade receivables	9, 19.1	P 1,725,980,458	P 1,975,857,456
Due from agencies		89,618,210	102,886,633
Advances to officers and employees		25,843,967	19,931,175
Claims receivables		4,602,387	5,833,131
Others		<u>11,095,991</u>	<u>10,655,881</u>
		1,857,141,013	2,115,164,276
Allowance for ECL		(1,067,091,982)	(1,059,923,358)
		<u>P 790,049,031</u>	<u>P 1,055,240,918</u>

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 25.2).

A reconciliation of the allowance for ECL at the beginning and end of 2022 and 2021 is shown below.

	<u>Note</u>	<u>2022</u>	<u>2021</u>
Balance at beginning of year		P 1,059,923,358	P 781,073,891
Additional ECL during the year	15	72,397,201	396,386,975
Write offs during the year		(34,704,157)	(117,537,508)
Reversal of ECL during the year	15	(30,524,420)	-
Balance at end of year		<u>P 1,067,091,982</u>	<u>P 1,059,923,358</u>

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 25.2).

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 P404.9 million and P577.0 million as of December 31, 2022 and 2021, respectively, were used as collateral to secure the payment of the Group's interest-bearing loans (see Note 12.1). 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, 2022 and 2021.

6. INVENTORIES

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

	<u>Note</u>	<u>2022</u>	<u>2021</u>
Fuel and lubricants	19.2	P 116,928,857	P 111,963,528
Spare parts		106,832,938	347,804,330
Shipping supplies		37,403,387	36,020,207
Food, beverage and other supplies		<u>7,348,877</u>	<u>1,665,752</u>
		<u>P 268,514,059</u>	<u>P 497,453,817</u>

As of December 31, 2022 and 2021, 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 14 and 15).

As of December 31, 2022 and 2021, 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, 2022 and 2021 follows:

	<u>Note</u>	<u>2022</u>	<u>2021</u>
Creditable withholding taxes		P 450,822,181	P 317,312,895
Advances to suppliers		379,211,063	182,406,069
Deferred input VAT		350,547,890	367,983,684
Input VAT		341,335,065	346,015,802
Prepayments		226,389,374	140,308,871
Restricted cash	4	4,960,770	6,243,270
Deferred charges		<u>-</u>	<u>60,953,522</u>
		<u>P 1,753,266,343</u>	<u>P 1,421,224,113</u>

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.

Restricted cash represents bank accounts that are reserved for debt service requirements in relation to certain loans of the Group (see Note 12.1).

8. INVESTMENT PROPERTIES

The Group's investment properties include a parcel of land located at Brgy. Ligid-Tipas, Taguig City, and the CIP therein. This was acquired by the Group in the prior years for WSI's warehousing operations. Pursuant to the plan of the Group to venture into e-Commerce business, 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 CIP amounting to P1,199.7 million and P232.6 million, respectively, were reclassified from Property and equipment to Investment properties in 2021.

The gross carrying amounts and accumulated impairment losses of investment properties at the beginning and end of 2022 and 2021 are shown below.

	<u>Land</u>	<u>CIP</u>	<u>Total</u>
December 31, 2022			
Carrying amount	P 1,270,907,961	P 232,607,476	P 1,503,515,437
Accumulated impairment losses	<u>-</u>	<u>(232,607,476)</u>	<u>(232,607,476)</u>
Net carrying amount	<u>P 1,270,907,961</u>	<u>P -</u>	<u>P 1,270,907,961</u>
December 31, 2021			
Carrying amount	<u>P 1,199,699,961</u>	<u>P 232,607,476</u>	<u>P 1,432,307,437</u>

A reconciliation of the carrying amount of investment properties in 2022 and 2021 is as follows:

	<u>Land</u>	<u>CIP</u>	<u>Total</u>
Balance at January 1, 2022	P 1,199,699,961	P 232,607,476	P 1,432,307,437
Additions	71,208,000	-	71,208,000
Impairment losses	<u>-</u>	<u>(232,607,476)</u>	<u>(232,607,476)</u>
Balance at December 31, 2022 net of impairment losses	<u>P 1,270,907,961</u>	<u>P -</u>	<u>P 1,270,907,961</u>
Balance at January 1, 2021	P -	P -	P -
Reclassifications	<u>1,199,699,961</u>	<u>232,607,476</u>	<u>1,432,307,437</u>
Balance at December 31, 2021	<u>P 1,199,699,961</u>	<u>P 232,607,476</u>	<u>P 1,432,307,437</u>

In 2022, the management has decided to permanently cease the construction of the warehouse and write-off the related CIP amounting to P232.6 million. This was recognized as Impairment loss on investment properties under Other Income (Charges) account in the 2022 consolidated statement of profit or loss.

In addition, the Group acquired an additional lot within the same area amounting to P71.2 million in 2022. The outstanding liability arising from this transaction is presented as part of Trade and Other Payables in the 2022 consolidated statement of financial position (see Note 13).

Other information about the fair value measurement and disclosures related to the investment properties are presented in Note 27.4.

The property of the Group with net carrying amount of P1,270.9 million and 1,199.7 million as of December 31, 2022 and 2021, respectively, was used as a collateral to secure payment of the Company's term loan (see Note 12.1).

Other information about the fair value measurement and disclosures related to the investment properties are presented in Note 27.4.

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 2022 and 2021 are shown below.

	<u>Land</u>	<u>Vessels and Vessel Equipment</u>	<u>Transportation Equipment</u>	<u>Building and Leasehold Improvements</u>	<u>Office Furniture, Fixture and Equipment</u>	<u>Right of Use Assets</u>	<u>CIP</u>	<u>Total</u>
December 31, 2022								
Cost or revalued amounts	P 213,761,703	P 25,468,068,867	P 203,988,390	P 224,641,523	P 175,578,549	P 3,899,937,372	P 207,129,013	P 30,393,105,417
Accumulated depreciation and amortization	-	(10,251,521,274)	(164,676,189)	(76,678,607)	(159,329,139)	(552,886,436)	-	(11,205,091,645)
Accumulated impairment losses	<u>-</u>	<u>(770,425,277)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(770,425,277)</u>
Net carrying amount	<u>P 213,761,703</u>	<u>P 14,446,122,316</u>	<u>P 39,312,201</u>	<u>P 147,962,916</u>	<u>P 16,249,410</u>	<u>P 3,347,050,936</u>	<u>P 207,129,013</u>	<u>P 18,417,588,495</u>
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 3,813,704,635	P 211,371,960	P 28,575,222,570
Accumulated depreciation and amortization	-	(8,630,026,591)	(148,928,648)	(79,745,019)	(146,785,627)	(410,079,008)	-	(9,415,564,893)
Accumulated impairment losses	<u>-</u>	<u>(126,323,308)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(126,323,308)</u>
Net carrying amount	<u>P 213,761,703</u>	<u>P 14,964,220,716</u>	<u>P 57,390,840</u>	<u>P 161,713,291</u>	<u>P 21,250,232</u>	<u>P 3,403,625,627</u>	<u>P 211,371,960</u>	<u>P 19,033,334,369</u>
January 1, 2021								
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	<u>-</u>	<u>(55,282,310)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(55,282,310)</u>
Net carrying amount	<u>P 1,413,263,540</u>	<u>P 16,940,451,693</u>	<u>P 83,429,776</u>	<u>P 177,561,260</u>	<u>P 36,310,002</u>	<u>P 2,237,779,731</u>	<u>P 614,910,758</u>	<u>P 21,503,706,760</u>

A reconciliation of the carrying amounts of property and equipment at the beginning and end of 2022 and 2021 is shown below.

	Land	Vessels and Vessel Equipment	Transportation Equipment	Building and Leasehold Improvements	Office Furniture, Fixture and Equipment	Right of Use Assets	CIP	Total
Balance at January 1, 2022, net of accumulated depreciation and amortization and impairment losses	P 213,761,703	P 14,964,220,716	P 57,390,840	P 161,713,291	P 21,250,232	P 3,403,625,627	P 211,371,960	P 19,033,334,369
Additions	-	284,489,668	3,803,387	-	11,169,239	122,689,899	144,062,828	566,215,021
Revaluation increment - net	-	714,299,589	-	-	-	-	-	714,299,589
Reclassification	-	148,305,775	-	-	-	-	(148,305,775)	-
Lease termination	-	-	-	-	-	(18,863,680)	-	(18,863,680)
Disposals - net	-	-	(1,247,820)	-	-	-	-	(1,247,820)
Impairment losses	-	(624,441,740)	-	-	-	-	-	(624,441,740)
Depreciation and amortization charges for the year	-	(1,040,751,692)	(20,634,206)	(13,750,375)	(16,170,061)	(160,400,910)	-	(1,251,707,244)
Balance at December 31, 2022, net of accumulated depreciation and amortization and impairment losses	<u>P 213,761,703</u>	<u>P 14,446,122,316</u>	<u>P 39,312,201</u>	<u>P 147,962,916</u>	<u>P 16,249,410</u>	<u>P 3,347,050,936</u>	<u>P 207,129,013</u>	<u>P 18,417,588,495</u>
Balance at January 1, 2021, net of accumulated depreciation and amortization and impairment losses	P 1,413,263,540	P 16,940,451,693	P 83,429,776	P 177,561,260	P 36,310,002	P 2,237,779,731	P 614,910,758	P 21,503,706,760
Additions	-	145,791,548	3,405,826	-	6,374,918	1,154,912,900	452,840,888	1,763,326,080
Revaluation decrement - net	-	(97,809,298)	-	-	-	-	-	(97,809,298)
Reclassification	(1,199,501,837)	15,106,877	-	-	-	235,247,488	(483,159,965)	(1,432,307,437)
Lease termination	-	-	-	-	-	(65,585,633)	-	(65,585,633)
Disposals - net	-	(712,927,091)	-	-	-	-	(373,219,721)	(1,086,146,812)
Impairment losses	-	(71,040,998)	-	-	-	-	-	(71,040,998)
Depreciation and amortization charges for the year	-	(1,255,352,015)	(29,444,762)	(15,847,969)	(21,434,688)	(158,728,859)	-	(1,480,808,293)
Balance at December 31, 2021, net of accumulated depreciation and amortization and impairment losses	<u>P 213,761,703</u>	<u>P 14,964,220,716</u>	<u>P 57,390,840</u>	<u>P 161,713,291</u>	<u>P 21,250,232</u>	<u>P 3,403,625,627</u>	<u>P 211,371,960</u>	<u>P 19,033,334,369</u>

The fair values of the Group's vessels were based on the latest appraisal reports as shown below.

Name of Vessel	Date of Report	Net Appraised Values
MV Trans-Asia 15	March 10, 2023	P 444,314,000
MV Trans-Asia 8	March 10, 2023	99,866,000
MV Trans-Asia 18	March 10, 2023	522,532,000
M/Tug Fortis III	February 23, 2023	25,676,000
M/Tug Fortis V	February 23, 2023	36,886,000
M/Tug Fortis VII	February 23, 2023	27,314,000
MV St. Sealthiel	January 4, 2023	76,668,000
MV St. Jhudiel	January 4, 2023	67,068,000
MV St. Camael	January 4, 2023	193,672,000
MV St. Bracquel	January 3, 2023	72,430,000
MV St. Uriel	January 3, 2023	48,212,000
MV St. Sariel	January 3, 2023	192,449,000
MV Starlite Phoenix	December 30, 2022	972,546,000
MV Starlite Venus	December 30, 2022	926,106,000
Starlite Sprint 1	December 30, 2022	116,815,000
MV Starlite Annapolis	December 30, 2022	77,415,000
M/Tug Fortis XII	December 23, 2022	43,234,000
MT Chelsea Endurance	December 8, 2022	328,000,000
MV Starlite Jupiter	November 29, 2022	52,974,000
MV Starlite Saturn	November 28, 2022	455,000,000
MV Starlite Pioneer	November 28, 2022	413,975,000
MT Chelsea Cherylyn	November 4, 2022	851,253,000
M/Tug Pindasan	October 24, 2022	46,600,000
M/Tug Samal	October 24, 2022	44,260,000
M/Tug Sigaboy	October 24, 2022	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

Name of Vessel	Date of Report	Net Appraised Values
MV Starlite Salve Regina	February 14, 2022	P 742,782,000
M/Tug Fortis VIII	February 11, 2022	39,164,000
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 Asia Pacific	March 29, 2021	77,673,000
MV Trans-Asia 17	March 24, 2021	248,382,000
MT Excellence	March 17, 2021	148,000,000
MT Denise	March 17, 2021	194,000,000
MT Great Princess	December 31, 2020	866,531,000
MT Chelsea Dominance	January 22, 2020	591,114,000
MV San Nicolas of Myra	January 22, 2020	304,133,000
MV St. Emmanuel	January 14, 2020	56,700,000
MV St. Micah	January 14, 2020	57,800,000
M/Tug Fortis IX	December 23, 2019	78,000,000
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
M/Tug Fortis VI	June 27, 2019	70,000,000
M/Tug Fortis X	June 27, 2019	85,000,000
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 20.2).

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, MV San Nicolas of Myra, MV St. Emmanuel, MV St. Micah, M/Tug Fortis IX, MT Chelsea Charlize, MV Asia Philippines, MV Trans-Asia 10, MT BMI Patricia, MT Jasaan, M/Tug Fortis VI, M/Tug Fortis X, MV Trans-Asia 2, MT Chelsea Intrepid, MT Ernesto Uno, MT Chelsea Resolute are still undergoing extended drydocking as of December 31, 2022; hence, no latest appraisals are available.

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, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Cost	P18,212,478,021	P 18,677,941,653
Accumulated depreciation	(6,248,642,622)	(5,338,365,142)
Accumulated impairment losses	(770,425,277)	(126,323,308)
Net carrying amount	<u>P11,193,410,122</u>	<u>P 13,213,253,203</u>

Additional impairment loss recognized during the year is presented as Impairment losses on property and equipment under Other Income (Charges) in the consolidated statements of profit or loss (see Note 17).

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

	Notes	<u>2022</u>	<u>2021</u>	<u>2020</u>
Cost of sales and services	14	P 1,175,522,855	P 1,370,544,243	P 1,558,782,765
Other operating expenses		76,184,389	110,264,050	113,983,754
	15	<u>P 1,251,707,244</u>	<u>P 1,480,808,293</u>	<u>P 1,672,766,519</u>

Certain vessels of the Group with a total net carrying amount of P11,770.9 million and P13,122.3 million as of December 31, 2022 and 2021, respectively, were used to secure the payment of certain interest-bearing loans and borrowings (see Note 12). There were no capitalized borrowing costs in 2022 and 2021.

In 2022, certain vessel of the Group was caught on fire with a carrying amount of P566.5 million. The Group provided a full impairment loss amounting to P566.5 million, which was presented as part of Impairment losses on property and equipment under Other Income (Charges) account in the 2022 consolidated profit or loss. As of date of issuance of the consolidated financial statements, the recoverable amount from insurance claims is yet to be determined by the insurance company.

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 17.4). 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 17.4).

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). There was no similar transaction in 2022.

In 2020, the Group sold a floating dock previously recognized under CIP to a third party for a total consideration of P491.1 million (see Note 17.4) 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 (see Note 17.4).

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 17.4).

Due to the current pandemic, certain vessels of the Group with a total net carrying amount of P714.3 million and P1,151.7 million were temporarily idle and laid up as of December 31, 2022 and 2021, 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

10.1 Investment in an Associate

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, 2022 and 2021 and is presented as Subscription payable under Trade and Other Payables in the consolidated statements of financial position (see Note 13). 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%. 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 DHC upon acquisition approximates their respective fair values.

Presented below are the financial information of the Group's associate as of December 31, 2022 and 2021 (in thousands).

	<u>2022</u>	<u>2021</u>
Total current assets	P 5,719,445	P 4,074,013
Total non-current assets	<u>187,193,137</u>	<u>132,488,702</u>
Total assets	<u>P 192,912,582</u>	<u>P 136,562,715</u>
Total current liabilities	P 199,728,080	P 120,346,719
Total non-current liabilities	<u>20,143,313</u>	<u>17,403,129</u>
Total liabilities	<u>P 219,871,393</u>	<u>P 137,749,848</u>
Total revenues	<u>P 7,235,722</u>	<u>P 2,189,451</u>
Net loss	<u>P 24,973,966</u>	<u>P 17,888,137</u>

DHC is in net capital deficiency as of December 31, 2022 and 2021.

As of December 31, 2022 and 2021, the carrying value of the investment in an associate is nil. In 2021 and 2020, equity share in net losses from DHC amounted to P892.2 million and P1,046.4 million and is recognized as Share in net loss of an associate under the Other Income (Charges) – net section in the consolidated statements of profit or loss. No share in loss was recognized from the investment in an associate in 2022 as the carrying value of the investment in associate is nil.

No dividends were received from the Group's associate in 2022 and 2021. The Group's associate is a private company; therefore, no quoted market prices are available for these shares.

10.2 Investment in a Joint Venture

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.

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, 2022 and 2021.

The Group does not have any restriction on the ability to access or use assets and settle liabilities of the joint venture. The Group also has no capital commitment in relation to this joint venture.

As of December 31, 2022 and 2021, the carrying value of the Group's investment in a joint venture is at P81.0 million. Management assessed that the investment is not impaired.

11. OTHER NON-CURRENT ASSETS

This account is composed of the following:

	Notes	2022	2021
Advances to suppliers	22.5	P 352,477,228	P 281,088,772
Deferred input VAT		92,727,424	77,541,301
Deposit for future acquisition		83,822,243	83,822,243
Deferred charges	7	59,953,524	-
Security deposits	19.3	47,360,694	88,502,533
Software, net of amortization		32,855,126	36,104,006
Restricted cash	4	335,112	335,112
		P 669,531,351	P 567,393,967

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.

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.

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.

Deferred charges pertain to downpayments made to suppliers for various future projects that are under pre-development.

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 2022 and 2021 is shown below.

	Note	<u>2022</u>	<u>2021</u>
Balance at beginning of year		P 36,104,006	P 32,911,807
Additions		746,702	6,565,440
Amortization during the year	15	(<u>3,995,582</u>)	(<u>3,373,241</u>)
Balance at end of year		<u>P 32,855,126</u>	<u>P 36,104,006</u>

Restricted cash represents bank accounts that are reserved for debt service requirements in relation to certain loans of the Group (see Note 12.1).

12. INTEREST-BEARING LOANS AND BORROWINGS

The short-term and long-term interest-bearing loans and borrowings are broken down as follows:

	Note	<u>2022</u>	<u>2021</u>
Current:			
Bank loans	12.2	P 4,219,625,534	P 4,397,811,724
Term loans	12.1	882,910,537	1,283,541,464
Lease liabilities	12.4	233,482,323	335,000,817
Mortgage loans	12.3	<u>9,338,570</u>	<u>28,895,025</u>
		<u>5,345,356,964</u>	<u>6,045,249,030</u>
Non-current:			
Term loans	12.1	9,435,126,025	9,171,438,524
Lease liabilities	12.4	2,701,613,851	2,572,118,195
Mortgage loans	12.3	174,770,738	163,713,548
Bank loans	12.2	<u>113,762,510</u>	<u>126,910,000</u>
		<u>12,425,273,124</u>	<u>12,034,180,267</u>
		<u>P17,770,630,088</u>	<u>P18,079,429,297</u>

The Group has taken necessary steps to manage the impact of the COVID-19 pandemic on its financial condition. It availed of the financial reliefs under RA No. 11469 and No. 11494 in 2020, which allowed the Group to extend for a minimum of 30 days the currently maturing debt obligations, including interest. It also availed of the "DBP RESPONSE (Rehabilitation Support On Severe Events)" program, wherein the borrower may defer its loan repayment of up to a certain number of years with the option for restructuring in case the borrower is not able to recover within years. Lastly, the Group has negotiated with the banks for the refinancing, extension, or temporary relief of its loan obligations as part of the Group's LME. Relative to this, the Group was able to agree with banks restructuring or modification of terms of certain loans.

For those that qualify as significant loan modification, the Group recognized a gain on loan modification amounting to P134.4 million in 2022 and a loss on loan modification amounting to P86.6 million in 2020, which is presented under Other Income (Charges) in the consolidated statements of profit or loss. There was no similar transaction in 2021.

A reconciliation of the carrying amounts of interest-bearing loans and borrowings at the beginning and end of December 31, 2022, 2021 and 2020 is shown below.

	Term loans (see Note 12.1)	Bank loans (see Note 12.2)	Mortgage loans (see Note 12.3)	Lease Liabilities (see Note 12.4)	Total
Balance as of January 1, 2022	P 10,454,979,988	P 4,524,721,724	P 192,608,573	P 2,907,119,012	P 18,079,429,297
Cash flows from financing activities:					
Repayments	(214,181,943)	(154,435,646)	(8,499,265)	(169,121,445)	(546,238,299)
Non-cash financing activities:					
Termination of lease	-	-	-	(21,388,770)	(21,388,770)
Gain on debt modification - net	(130,678,169)	(3,677,615)	-	-	(134,355,784)
Additions	119,747,353	14,279,581	-	122,689,899	256,716,833
Reclassification	47,500,000	(47,500,000)	-	-	-
Restatement of foreign currency denominated loans	29,190,691	-	-	95,797,477	124,988,168
Amortization of premium on loans payable	11,478,642	-	-	-	11,478,642
	<u>77,238,517</u>	<u>(36,898,034)</u>	<u>-</u>	<u>197,098,607</u>	<u>237,439,089</u>
Balance at December 31, 2022	P 10,318,036,562	P 4,333,388,044	P 184,109,308	P 2,935,096,174	P 17,770,630,088
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	217,757,200	68,524,356	-	-	286,281,556
Repayments	(137,256,278)	(112,219,308)	(7,017,979)	(135,397,267)	(391,890,832)
	<u>80,500,922</u>	<u>(43,694,952)</u>	<u>(7,017,979)</u>	<u>(135,397,267)</u>	<u>(105,609,276)</u>
Non-cash financing activities -					
Additions	-	-	-	1,154,912,900	1,154,912,900
Termination of lease	-	-	-	(64,401,204)	(64,401,204)
Reclassification	374,580,207	(300,000,000)	-	-	74,580,207
Restatement of foreign currency denominated loans	12,975,444	-	-	-	12,975,444
	<u>387,555,651</u>	<u>(300,000,000)</u>	<u>-</u>	<u>1,090,511,696</u>	<u>1,178,067,347</u>
Balance at December 31, 2021	<u>P 10,454,979,988</u>	<u>P 4,524,721,724</u>	<u>P 192,608,573</u>	<u>P 2,907,119,012</u>	<u>P 18,079,429,297</u>
Balance as of January 1, 2020	P 10,798,891,210	P 4,043,147,077	P 230,551,274	P 1,234,531,631	P 16,307,121,192
Cash flows from financing activities:					
Additions	47,873,000	201,024,937	26,769,951	-	275,667,888
Repayments	(246,453,375)	(75,755,338)	(80,319,172)	(368,878,280)	(771,406,165)
	<u>(198,580,375)</u>	<u>125,269,599</u>	<u>(53,549,221)</u>	<u>(368,878,280)</u>	<u>(495,738,277)</u>
Non-cash financing activities:					
Additions	-	-	22,624,499	1,086,351,232	1,108,975,731
Loss on modification of debts	86,612,580	-	-	-	86,612,580
Reclassification	(700,000,000)	700,000,000	-	-	-
	<u>(613,387,420)</u>	<u>700,000,000</u>	<u>22,624,499</u>	<u>1,086,351,232</u>	<u>1,195,588,311</u>
Balance at December 31, 2020	<u>P 9,986,923,415</u>	<u>P 4,868,416,676</u>	<u>P 199,626,552</u>	<u>P 1,952,004,583</u>	<u>P 17,006,971,226</u>

12.1 Term Loans

The details of the Group's term loans as of December 31, 2022 and 2021 are as follows:

	Notes	Security	Terms	Interest Rates	Outstanding Balance	
					2022	2021
China Banking Corporation (CBC)		Real Estate Mortgage (REM), Continuing Suretyship, MT Chelsea Great Princess, MT Chelsea Charlize, MT Chelsea Resolute, MT Chelsea Enterprise, MT Chelsea Excellence, MT Chelsea Ernesto Uno, MT Chelsea Jasaan				
	(b.1)	Assignment of receivables	7 years	6.50%	P 1,926,396,728	P 1,926,396,728
Development Bank of the Philippines (DBP)		MT Chelsea Providence, MT Chelsea Cherylyn, MV Starlite Stella Maris,				
	(f.4)	Corporate/Continuing Suretyship	15 years	6.50%	1,820,060,107	1,821,008,778
Philippine Business Bank (PBB)	(c.2)	MV Eagle, MV Archer, MV Saturn	8 years	3.00% - 7.00%	855,856,717	813,238,917
CBC	(b.3)	REM	15 years	7.25%	800,000,000	800,000,000
DBP	(f.3)	Trans - Asia 16, 17 and 18	15 years	6.50%	584,892,857	584,892,857
DBP		MV San Pedro Calungsod				
	(f.2)	MV San Lorenzo Ruis Uno	15 years	6.50%	496,802,412	496,802,412
PBB	(c.4)	MV St. Nicholas of Myra	8 years	3.00% - 7.00%	491,555,017	460,000,000
DBP	(f.1)	MV Pioneer, MV Reliance	15 years	6.95%	450,514,006	469,953,817
BDO Unibank, Inc. (BDO)		Trans - Asia 1, 8, 9 and 10				
	(a.2)	REM, Continuing suretyship	6 years	3.00% - 8.16%	386,207,130	338,707,130
PBB	(c.3)	MV Stella Del Mar	8 years	3.00% - 7.00%	331,727,800	309,222,352
DBP	(f.5)	MV St. Camael and MV St. Saniel	15 years	6.50%	300,086,565	300,238,829
Mega International Commercial Bank Co. (MICBC)	(e)	Pledge of shares, Continuing Suretyship	5 years	6.37%	247,500,000	247,500,000
Robinsons Bank Corporation (RBC)	(e)	Pledge of shares, Continuing Suretyship	5 years	6.37%	247,500,000	247,500,000
CTBC Bank (Phils) Inc. (CTBC)	(e)	Pledge of shares, Continuing Suretyship	5 years	6.37%	247,500,000	247,500,000
PBB	(c.1)	MT Chelsea Dominance	8 years	3.00% - 7.00%	-	227,048,850
PBB	(c.1)	MT Chelsea Endurance	8 years	3.00% - 7.00%	442,696,689	192,578,750
PBB	(c.5)	Pledge of shares of stock	8 years	3.00% - 7.00%	137,494,000	177,709,000
First Commercial Bank, Ltd. (FCB)	(e)	Pledge of shares, Continuing Suretyship	5 years	6.37%	165,000,000	165,000,000
CBC		REM, MV Asia Philippines,				
	(b.2)	MV Asia Pacific	10 years	5.75%	162,407,407	162,407,407
Rizal Commercial Banking Corp.	(g)	Starlite Sprint I	7 years	9.50%	105,074,977	110,776,039
8H Capital Asia Growth Fund	(h)	Unsecured	5 years	9.00%	105,225,000	101,548,000
Asia United Bank (AUB)		MTug Fortis VI, MTug Fortis VII				
	(d)	MTug Fortis VIII, Assignment of receivables	7 years	5.56%	31,269,933	41,693,244
AUB		MTug Fortis IX, MTug Fortis X,				
	(d)	Assignment of receivables	7 years	7.07%	30,190,922	39,007,630
AUB		MTug Fortis III and MTug				
	(d)	Fortis V, Assignment of receivables	7 years	5.56%	18,083,329	30,212,255
BDO	(a.1)	MT Chelsea Denise II	2 years	5.50%	-	90,842,500
					10,384,041,596	10,401,785,495 ¹
Net premium (discount) on loans payable					(66,005,034)	53,194,493
					P 10,318,036,562	P 10,454,979,988

(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 as of December 31, 2021 (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. The loan was fully paid in 2022.

a.2. Trans-Asia - Trans-Asia 1, 8 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.

In 2020, Trans-Asia and BDO amended the existing loan 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.

On Sept 8, 2021, Trans-Asia and BDO agreed on the second amendment of the loan agreement wherein the deferred principal and principal due from June to July 2021 be added and paid in the December 2021 and January 2022 repayment schedules.

On June 20, 2022, Trans-Asia and BDO amended the existing loan agreements, revising the previously approved terms of the preceding loans wherein BDO extended the maturity dates of the loans for six years, inclusive of a grace period of one year reckoning at the beginning of 2022, provided a sculpted quarterly principal repayment, and reduced interest rates of 3.0% per annum for the first two years with a provision for a recapture rates towards the end of the loans.

The loan is secured by the same properties as mentioned in the initial bank loan with chattel mortgage of certain vessels amounting to P223.4 million and P811.6 million as of December 31, 2022 and 2021, respectively (see Note 9). The loan is also secured by a continuing suretyship by the chairman of the BOD of the company and a real estate property owned by Trans-Asia with a carrying amount of P10.3 million and P14.6 million in December 31, 2022 and 2021, respectively (see Note 9). These loans do not contain any financial covenants.

(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 19.9(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 restructured loan is secured by the same properties as mentioned in the initial bank loan with chattel mortgage of certain vessels amounting to P1,637.8 million and P1,725.4 million as of December 31, 2022 and 2021, respectively. The loan is also secured by a continuing suretyship by the Company and parent company, and assignment of certain receivables amounting to P333.0 million and P515.5 million as of December 31, 2022 and 2021, 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 – MV Asia Philippines and MV Asia Pacific

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 vessels with a net carrying amount of P134.0 million and P159.0 million as of December 31, 2022 and 2021, 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, 2022 and 2021, 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 the consolidated statements of financial position, with net carrying amount of P1,270.9 million and P1,199.7 million as of December 31, 2022 and 2021, respectively, 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, 4 and 11).

(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.

On June 24, 2022, PBB approved the restructuring of the outstanding loans and unpaid interests of PNX-Chelsea into a 8-year term loan, inclusive of two years grace period on principal collection. The restructured loan bears an annual interest rate of 3.00% applicable for 2 years, collected quarterly in arrears, to be recaptured with a target rate of 7.00% per annum, with annual repricing based on BVAL plus a fixed interest rate beginning on the third year.

The restructured loans are secured by a chattel mortgage on MT Chelsea Endurance and MT Chelsea Dominance with net carrying amounts totalling P856.6 million and P826.9 million, as of December 31, 2022 and 2021, 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.

On June 24, 2022, PBB approved the restructuring of the outstanding loans and unpaid interests of SFI into a 8-year term loan, inclusive of 2 years grace period on principal collection. The restructured loan bears an annual interest rate of 3.00% applicable for two years, collected quarterly in arrears, to be recaptured with a target rate of 7.00% per annum, with annual repricing based on BVAL plus a fixed interest rate beginning on the third year.

Certain vessels of Starlite with net carrying amounts of P1,201.5 million and P1,309.1 million as of December 31, 2022 and 2021, 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.

On June 24, 2022, PBB approved the restructuring of the outstanding loans and unpaid interests of SPFI into a 8-year term loan, inclusive of 2 years grace period on principal collection. The restructured loan bears an annual interest rate of 3.00% applicable for 2 years, collected quarterly in arrears, to be recaptured with a target rate of 7.00% per annum, with annual repricing based on BVAL plus a fixed interest rate beginning on the third year.

The vessel of SPFI with net carrying amounts of P529.3 million and P535.7 million as of December 31, 2022 and 2021, 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.

On June 24, 2022, PBB approved the restructuring of the outstanding loans and unpaid interests of SGFI into a 8-year term loan, inclusive of 2 years grace period on principal collection. The restructured loan bears an annual interest rate of 3% applicable for 2 years, collected quarterly in arrears, to be recaptured with a target rate of 7.00% per annum, with annual repricing based on BVAL plus a fixed interest rate beginning on the 3rd year.

The vessel of SGFI with net carrying amounts of P745.7 million and P742.8 million as of December 31, 2022 and 2021 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.

On August 12, 2022, PBB and the Company has amended its MOA in which the principal repayment will be on a staggered basis commencing at the date of amendment until 2023 with annual interest rate of 11.0%. The loan does not include any financial covenant.

The loan is secured by a deed of pledge of shares of stock by Udenna and the Company with a net book value of P178.5 million and P142.8 million as of December 31, 2022 and 2021, respectively [see Note 19.9(a)].

(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 P41.6 million and P57.1 million as of December 31, 2022 and 2021, 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 P240.1 million and P352.2 million as of December 31, 2022 and 2021, 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.

On November 15, 2022, CTBC, MICBC, RBC and FCB approved restructuring of the outstanding loans of Trans-Asia into a 5-year term loan, inclusive of 2 years grace period on principal collection. The restructured loan bears an annual interest rate of 6.37% applicable for year 1, collected quarterly in arrears, to be recaptured with a target rate of 8.00% per annum in year 5, with annual repricing based on BVAL plus a fixed interest rate beginning on the 3rd year. The principal is payable on installment based on the outstanding principal amount from the amended date as follows; 0% on year 1, 1% on year 2, 2% on year 3, 7% on year 4 and balloon payment at the end of year 5.

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 19.9(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 P644.7 million and P819.9 million as of December 31, 2022 and 2021, 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 vessels of PNX-Chelsea with net carrying amounts of P613.8 million and P719.4 million as of December 31, 2022 and 2021, 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 P882.9 million and P1,051.9 million as of December 31, 2022 and 2021, respectively, were used as collateral to secure the payment of these loans (see Note 9).

f.4. CSC – MT Chelsea Providence

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, DBP 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.

Certain vessels of CSC and SGFI with net carrying amount of P2,823.5 million and P2,810.0 as of December 31, 2022 and 2021, respectively, was used as collateral to secure the payment of these loans (see Note 9). Certain trade receivables amounting to P30.3 million and P4.4 million as of December 31, 2022 and 2021, respectively, were assigned to secure the payment of these interest-bearing loans (see Note 5).

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 P386.1 million and P407.3 million as of December 31, 2022 and 2021, 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 P123.8 million and P117.6 million as of December 31, 2022 and 2021, 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.

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 2022 and 2021 [(see a.1, b.1, b.3, e, f.1, f.2, f.3, f.4, f.5 in the preceding pages)] and 2019 [(see e, f.3, f.4 in the preceding pages)], 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, 2022 and 2021, 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, 2022.

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 17.1). The related unpaid interest as of December 31, 2022 and 2021 is presented as part of Accrued expenses under the Trade and Other Payables account in the consolidated statements of financial position (see Note 13).

12.2 Bank Loans

The details of the Group's bank loans are as follows:

	Security	Terms	Interest Rates	Outstanding Balance	
				2022	2021
Primary Institutional Lenders Landbank of the Philippines	Unsecured MT Chelsea Intrepid MT BMI Patricia	30 to 180 days	4.25% to 7.50%	P 1,422,956,791	P 1,499,056,236
PBB	Assignment of receivables	90 days	9.00%	1,336,460,600	500,000,000
CBC	Unsecured	180 days	9.00%	665,000,000	675,000,000
	Trans-asia 2, Trans-Asia 3, Trans-Asia 5, Trans-Asia 12, Trans-Asia 15	60 days	6.00%	500,000,000	500,000,000
Pentacapital	Assignment of receivables	360 days	6.00%	210,970,653	196,691,072
Union Bank of the Philippines	Continuing suretyship	360 days	4.50%	198,000,000	200,000,000
UCPB	MT Chelsea Intrepid MT BMI Patricia	90 days	5.00% to 5.75%	-	862,325,000
AUB	Unsecured	30 days	8.00%	-	20,324,093
BDO Unibank Inc	Trans-Asia 1	180 days	6.50%	-	47,500,000
Robinsons Bank Corporation	MT Chelsea Denise	180 days	5.50%	-	23,825,323
				P 4,333,388,044	P 4,524,721,724

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 P748.34 million and P1,752.2 million as of December 31, 2022 and 2021, 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 17.1). The related unpaid interest as of December 31, 2022 and 2021 is presented as part of Accrued expenses under the Trade and Other Payables account in the consolidated statements of financial position (see Note 13).

12.3 Mortgage Loans

The details of the Group's mortgage loans are as follows:

	Security	Terms	Interest Rates	Outstanding Balance	
				2022	2021
BDO	Real Estate Mortgage	10 years	6.75%	P 163,090,822	P 163,090,822
Toyota Financials	Chattel Mortgage on Transportation Equipment	3 years	10.07%	15,281,059	19,572,225
BDO	Chattel Mortgage on Transportation Equipment	3 years	8.51%	5,049,332	7,416,294
Eastwest	Chattel Mortgage on Transportation Equipment	3 years	9.71%	587,807	779,162
AUB	Chattel Mortgage on Transportation Equipment	3 to 5 years	7.00% to 8.50%	100,288	1,024,718
RCBC	Chattel Mortgage on Transportation Equipment	3 years	7.00%	-	428,163
Chinabank Savings	Chattel Mortgage on Transportation Equipment	3 years	7% to 10.28%	-	297,189
				P 184,109,308	P 192,608,573

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 2022 and 2021. 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 17.1). These loans do not contain any financial covenants.

These loans are secured by certain properties and transportation equipment with total carrying amount of P253.0 million and P247.6 million as of December 31, 2022 and 2021, respectively (see Note 9).

12.4 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 Group's leasing activities by type of right-of-use asset recognized in the consolidated statement of financial position:

	Number of rights-of-use assets leased	Range of remaining term	Average remaining lease term	Number of leases with extension options	Number of leases with termination options
December 31, 2022					
Warehouses and related facilities	12	1 - 2 years	2 years	3	-
Offices	6	1 - 5 years	3 years	2	1
December 31, 2021					
Warehouses and related facilities	8	1 - 2 years	2 years	3	-
Offices	6	1 - 5 years	3 years	2	1

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, 2022					
Lease liabilities	P 62,035,497	P 123,485,462	P 41,784,395	P 2,707,790,820	P 2,935,096,174
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 83,282,702	-	P 92,321,994
December 31, 2021					
Lease liabilities	P 41,193,984	P 84,078,968	P 59,593,420	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

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, 2022 and 2021 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, 2022							
Lease payments	P 457,323,410	P 409,029,749	P 890,285,525	P 300,909,294	P 284,822,798	P 1,968,420,620	P 4,310,791,396
Finance charges	(223,841,087)	(205,610,874)	(184,563,755)	(143,073,188)	(130,255,314)	(488,351,004)	(1,375,695,222)
Net present value	<u>P 233,482,323</u>	<u>P 203,418,875</u>	<u>P 705,721,770</u>	<u>P 157,836,106</u>	<u>P 154,567,484</u>	<u>P 1,480,069,616</u>	<u>P 2,935,096,174</u>
December 31, 2021							
Lease payments	P 561,560,429	P 381,464,421	P 321,281,637	P 856,715,191	P 251,234,688	P 2,129,133,424	P 4,501,389,790
Finance charges	(226,559,612)	(211,599,508)	(198,783,185)	(179,974,445)	(138,762,538)	(638,591,490)	(1,594,270,778)
Net present value	<u>P 335,000,817</u>	<u>P 169,864,913</u>	<u>P 122,498,452</u>	<u>P 676,740,746</u>	<u>P 112,472,150</u>	<u>P 1,490,541,934</u>	<u>P 2,907,119,012</u>

As of December 31, 2022 and 2021, 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 P69.9 million, P75.4 million and P33.2 million in 2022, 2021 and 2020, respectively, and is presented as part of Rentals under Cost of Sales and Services and Other Operating Expenses in the consolidated statements of profit or loss (see Notes 14 and 15). As of December 31, 2022 and 2021, the Company's total commitment on these short-term leases amounted to P36.9 million.

13. TRADE AND OTHER PAYABLES

This account consists of:

	Notes	<u>2022</u>	<u>2021</u>
Trade payables	8, 19.2	P 5,608,387,879	P 5,677,632,885
Accrued expenses	12, 19.2	2,238,095,434	1,543,556,016
Subscription payable	10.1	781,249,998	781,249,998
Non-trade payables	19.6	500,000,000	500,000,000
Deferred output VAT		447,716,406	356,242,409
Government-related obligations		371,293,575	285,675,810
Output VAT payable		134,939,913	140,944,389
Provisions	22.3	610,389	707,213
Others	9	<u>53,088,122</u>	<u>62,520,286</u>
		<u>P 10,135,381,716</u>	<u>P 9,348,529,006</u>

Subscription payable pertains to the amount of subscribed shares on the Group's investments in associate that remains unpaid as of December 31, 2022 and 2021 (see Note 10.1).

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.

14. COST OF SALES AND SERVICES

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

	Notes	<u>2022</u>	<u>2021</u>	<u>2020</u>
Bunkering	6, 19.2	P 2,419,206,921	P 1,493,252,012	P 1,569,213,005
Depreciation and amortization	9	1,175,522,855	1,370,544,243	1,558,782,765
Salaries and employee benefits	16.1	560,862,757	541,878,271	681,865,714
Outside services		297,234,862	283,166,405	234,987,228
Insurance		211,783,385	204,105,647	229,777,747
Handling costs		207,540,608	295,135,774	199,578,068
Repairs and maintenance	6	184,779,108	176,093,611	256,965,375
Port expenses		171,730,096	161,725,068	177,373,576
Supplies	6	87,420,260	84,380,250	52,249,952
Rentals	19.3	69,880,002	75,418,428	33,217,024
Cost of inventories sold		61,984,122	55,637,666	49,226,636
Utilities and communication		32,203,539	14,384,969	20,594,468
Charter hire fees		29,483,001	26,391,284	31,748,387
Taxes and licenses		25,562,769	23,322,783	22,106,026
Commission		23,492,770	14,236,971	24,142,407
Transportation and travel		13,772,304	16,086,965	6,833,876
Representation and entertainment		1,361,717	909,039	1,087,743
Professional fees		568,928	20,000	191,953
Miscellaneous		<u>95,155,547</u>	<u>70,676,534</u>	<u>77,356,972</u>
		<u>P 5,669,545,551</u>	<u>P 4,907,365,920</u>	<u>P 5,227,298,922</u>

15. OPERATING EXPENSES BY NATURE

The details of operating expenses by nature for the years ended December 31, 2022, 2021 and 2020 are presented below.

	Notes	2022	2021	2020
Bunkering	6, 19.2	P 2,419,206,921	P 1,493,252,012	P 1,569,213,005
Depreciation and amortization	9, 11	1,255,702,826	1,484,181,534	1,675,721,855
Salaries and employee benefits	16.1	878,204,944	849,960,921	1,090,407,842
Outside services		725,405,894	642,384,137	418,037,183
Insurance		215,398,277	206,330,895	239,556,920
Handling costs		207,540,608	295,135,774	199,578,068
Repairs and maintenance	6	192,832,259	180,755,158	275,676,759
Port expenses		171,730,096	161,725,068	177,373,576
Taxes and licenses		151,636,001	134,848,876	141,477,318
Supplies	6	98,609,734	93,203,420	62,238,786
Rentals	12.4, 19.3	90,937,648	98,903,564	70,176,802
Cost of inventories sold		61,984,122	55,637,666	49,226,636
Utilities and communication		50,844,439	49,377,556	48,197,380
Expected credit losses on receivables		41,872,781	396,386,975	761,569,714
Transportation and travel		31,743,021	30,526,020	25,559,572
Charter hire fees		29,483,001	26,391,284	31,748,387
Commission		26,246,460	14,496,005	24,449,774
Professional fees		21,585,062	16,528,064	27,332,855
Representation and entertainment		14,756,687	2,709,526	5,163,277
Advertising and promotions		3,007,162	1,259,387	1,075,748
Miscellaneous	19.9(b)	137,024,416	164,230,471	136,944,475
		P 6,825,752,359	P 6,398,224,313	P 7,030,725,932

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

	Note	2022	2021	2020
Cost of sales and services	14	P 5,669,545,551	P 4,907,365,920	P 5,227,298,922
Other operating expenses		1,114,334,027	1,094,471,418	1,041,857,296
Expected credit losses on receivables	5	41,872,781	396,386,975	761,569,714
		P 6,825,752,359	P 6,398,224,313	P 7,030,725,932

16. SALARIES AND EMPLOYEE BENEFITS

16.1 Salaries and Employee Benefits

The details of salaries and employee benefits for the years ended December 31, 2022, 2021 and 2020 are presented below.

	Notes	2022	2021	2020
Short-term employee benefits		P 782,182,516	P 772,001,508	P 982,673,805
Post-employment benefits	16.2(b)	41,707,684	26,358,885	31,208,769
Bonus and incentives		19,142,212	14,768,935	7,152,233
Share-based compensation	20.5	18,760,422	5,943,224	16,869,063
Other employee benefits		16,412,110	30,888,369	52,503,972
	15	P 878,204,944	P 849,960,921	P 1,090,407,842

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	2022	2021	2020
Cost of sales and services	14	P 560,862,757	P 541,878,271	P 681,865,714
Other operating expenses		<u>317,342,187</u>	<u>308,082,650</u>	<u>408,542,128</u>
	15	<u>P 878,204,944</u>	<u>P 849,960,921</u>	<u>P 1,090,407,842</u>

16.2 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 years to 10 periods – 15 days per year of service
 - ten periods and years to 15 periods – 22.5 days per year of service
 - 15 periods and years and above – 30 days per year of service
- (ii) For regular employees who were hired starting December 1, 2006
 - Five periods and years to nine periods – 7.5 days per year of service
 - Nine periods and years 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 years 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 years 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 post-employment defined benefit asset of MI as of December 31, 2022 and 2021, which is recognized in the consolidated statements of financial position amounts to P1.8 million in both years.

The movements of the fair value of plan assets in 2022 and 2021 are presented below.

	<u>2022</u>	<u>2021</u>
Balance at beginning of year	P 1,800,436	P 12,089,955
Reclassification during the year	-	(10,587,922)
Interest income	-	298,403
Balance at end of year	<u>P 1,800,436</u>	<u>P 1,800,436</u>

The composition of the fair value of plan assets as at December 31, 2022 and 2021 by category and risk characteristics is shown below.

Cash and cash equivalents	P 2,026
Debt and equity securities	1,794,704
Others	<u>3,706</u>
	<u>P 1,800,436</u>

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).

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 as follows:

	<u>2022</u>	<u>2021</u>
Present value of the obligation	P 148,337,058	P 143,896,043
Fair value of plan assets	(<u>59,477,983</u>)	(<u>63,879,806</u>)
	<u>P 88,859,075</u>	<u>P 80,016,237</u>

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

	<u>2022</u>	<u>2021</u>
Balance at beginning of year	P 143,896,043	P 171,529,490
Current service cost	28,958,963	26,358,885
Past service cost	12,748,722	-
Interest cost	8,289,306	9,519,997
Actuarial loss (gains) due to changes in:		
Financial assumptions	(37,420,584)	(17,671,248)
Demographic assumptions	(16,530,339)	(3,874,107)
Experience assumptions	15,638,631	(47,509,541)
Benefits paid from plant asset	(3,439,859)	(592,184)
Benefits paid from operating funds	(3,803,825)	-
Reclassification during the year	<u>-</u>	<u>6,134,751</u>
Balance at end of year	<u>P 148,337,058</u>	<u>P 143,896,043</u>

The details of the fair value of plan assets in 2022 and 2021 are presented below.

	<u>2022</u>	<u>2021</u>
Balance at beginning of year	P 63,879,806	P 57,743,149
Benefits paid	(3,439,859)	(592,184)
Remeasurement loss	(4,297,518)	(8,891,831)
Interest income	3,335,554	5,032,750
Reclassification during the year	<u>-</u>	<u>10,587,922</u>
Balance at end of year	<u>P 59,477,983</u>	<u>P 63,879,806</u>

The composition of the fair value of plan assets as at December 31, 2022 and 2021 by category and risk characteristics is shown below.

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	P 81,048	P 255,840
Government securities	930,471	-
Corporate debt securities	57,937,155	62,858,599
Equity securities	196,000	565,000
Others	<u>333,309</u>	<u>200,367</u>
	<u>P 59,477,983</u>	<u>P 63,879,806</u>

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).

(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, 2022 and 2021.

	Impact on Post-employment Benefit Obligation		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
<u>December 31, 2022</u>			
Discount rate	+/- 1.0%	(P 8,720,384)	P 21,284,638
Salary growth rate	+/- 1.0%	21,100,766 (	9,121,646)
<u>December 31, 2021</u>			
Discount rate	+/- 1.0%	(P 16,486,637)	P 13,463,509
Salary growth rate	+/- 1.0%	12,251,556 (	15,722,980)

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, 2022 and 2021 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, 2022 and 2021, the plan is underfunded by P88.9 million and P80.0 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, 2022 and 2021 follows:

	<u>2022</u>		<u>2021</u>
One to five years	P 73,159,525	P	74,650,406
More than five years but not more than ten years	<u>83,374,758</u>		<u>91,104,878</u>
	<u>P 156,534,283</u>	P	<u>165,755,284</u>

17. OTHER INCOME (CHARGES)

17.1 Finance Costs

The details of this account for the years ended December 31, 2022, 2021 and 2020 are shown below.

	Notes	2022	2021	2020
Interest expense on:				
Interest-bearing loans	12	P 981,193,625	P 1,174,538,237	P 1,137,563,185
Lease liabilities		182,714,815	201,150,906	100,029,666
Deficiency income taxes		39,480,407	22,720,466	23,551,008
Post-employment benefits	16.2(b)	4,953,752	4,881,292	2,090,520
Nontrade payables		-	-	37,733,084
		<u>1,208,342,599</u>	<u>1,403,290,901</u>	<u>1,300,967,463</u>
Foreign currency exchange losses		127,489,242	25,714,272	-
Bank charges		<u>1,583,832</u>	<u>2,035,447</u>	<u>1,521,405</u>
		<u>P 1,337,415,673</u>	<u>P 1,431,040,620</u>	<u>P 1,302,488,868</u>

17.2 Finance Income

The breakdown of this account for the years ended December 31, 2022, 2021 and 2020 are shown below.

	2022	2021	2020
Interest income	P 3,859,469	P 640,268	P 22,880,331
Foreign currency exchange gains	<u>245,972</u>	<u>5,394,482</u>	<u>497,226</u>
	<u>P 4,105,441</u>	<u>P 6,034,750</u>	<u>P 23,377,557</u>

17.3 Prior Year Transactions

On May 11, 2020, the Company acquired 100% ownership interest of Preferred C shares of KGLI-NM, in which the Group held 80% economic interest and 39.71% voting interest and was previously accounted for as an associate. After such acquisition, the effective voting rights of the Group over KGLI-NM increased from 39.71% 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 Group, Inc. (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. Accordingly, the acquisition resulted in a gain on bargain purchase amounting to P1,184.5 million 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 with a view to sell, and is presented under Other Income (Charges) in the 2020 consolidated statement of profit or loss.

The transaction is intended to be part of the initial acquisition of UIBV by the Group but such was only finalized in 2021.

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 to goodwill. Accordingly, a loss on remeasurement of shares amounting to P333.3 million was recognized under Other Income (Charges) in the 2020 consolidated statement of profit or loss.

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 19.4).

Also, in the previous years, the Group classified as held for sale certain vessels previously used by Trans-Asia and SFFC that the management of the respective companies approved to be sold.

On January 14, 2021 and April 6, 2021, Trans-Asia sold Trans-Asia 5 and Lapu-Lapu Uno to third parties, respectively.

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. There are no similar transactions in 2022.

17.4 Other Income (Loss)

Presented below are the details of other income (loss) for the years ended December 31, 2022, 2021 and 2020.

	Notes	2022	2021	2020
Gain (loss) on sale of property and equipment - net	9	P 2,893,508	(P 495,936,979)	P 50,038,745
Pretermination of TC		-	312,815,862	-
Gain on retirement of property and equipment - net	9	-	-	23,863,984
Miscellaneous	7	40,094,989	40,589,602	24,426,230
		P 42,988,497	(P 142,531,515)	P 98,328,959

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

Miscellaneous includes gain on sale of scrap materials, excess customer charges over baggage, beddings and other services.

18. TAXES

18.1 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. In August 2020, Starlite registered MV Starlite Venus, which will commence in November 2020 with 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.

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.

18.2 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.

	<u>2022</u>	<u>2021</u>	<u>2020</u>
<i>Recognized in profit or loss:</i>			
Regular corporate income tax (RCIT) at 25% in 2022 and 2021 and 30% in 2020	P 12,026,297	P 5,677,514	P 24,185,232
Minimum corporate income tax (MCIT) at 1% in 2022 and 2021 and 2% in 2020	12,675,625	858,158	4,140,586
Final tax at 20% and 7.5%	<u>37,804</u>	<u>4,386</u>	<u>335,117</u>
Deferred tax expense (income) relating to origination and reversal of temporary differences	<u>24,739,726</u>	6,540,058	28,660,935
	<u>31,941,060</u>	(<u>72,018,749</u>)	<u>380,740,111</u>
	<u>P 56,680,786</u>	(<u>P 65,478,691</u>)	<u>P 409,401,046</u>
<i>Recognized in other comprehensive income —</i>			
Deferred tax expense relating to origination and reversal of temporary differences	<u>P 200,672,418</u>	(<u>P 41,974,764</u>)	<u>P 46,862,608</u>

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:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Tax on pretax loss at 25% in 2022 and 2021 and 30% in 2020	(P 617,483,343)	(P 1,191,223,694)	(P 870,464,567)
Adjustments for income subjected to lower tax rates	(9,451)	(2,193)	(167,559)
Tax effects of:			
Unrecognized deferred tax assets on net operating loss carryover (NOLCO)	682,018,620	1,025,120,540	782,347,357
Nondeductible expenses	27,087,464	225,650,411	538,365,876
Nontaxable income	(34,932,504)	(125,023,755)	(295,084,546)
Derecognition of unutilized deferred tax assets	-	-	493,675,705
Gain on bargain purchase	-	-	(349,518,591)
Net loss (profit) on BOI-registered activities	<u>-</u>	<u>-</u>	<u>110,247,371</u>
	<u>P 56,680,786</u>	(<u>P 65,478,691</u>)	<u>P 409,401,046</u>

The net deferred tax assets of the Company and certain subsidiaries as of December 31, 2022 and 2021 pertain to the following:

	<u>2022</u>	<u>2021</u>
Impairment losses on trade and other receivables	P 132,317,005	P 112,286,976
Revaluation reserves on property and equipment	(122,658,075)	(28,896,923)
Post-employment benefit obligation	14,702,508	17,359,181
Impairment losses on property and equipment	10,881,226	12,131,075
Unrealized foreign exchange loss	8,153,245	3,243,861
Leases	(7,091,852)	11,452,201
Capitalized borrowing costs	(5,570,535)	-
Gain on debt modification	5,652,128	-
Share-based compensation	5,475,249	2,521,042
MCIT	4,441,630	410,080
Others	972,083	-
	<u>P 47,274,612</u>	<u>P 130,507,493</u>

The net deferred tax liabilities of certain subsidiaries as of December 31, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Revaluation reserves on property and equipment	(P 467,448,341)	(P 329,582,947)
Impairment losses on trade and other receivables	131,818,581	152,693,864
Leases	(52,693,832)	(26,223,567)
Capitalized borrowing costs	(27,772,767)	(38,023,853)
Impairment losses on property and equipment	43,675,174	19,449,752
Unamortized past service costs	(3,128,341)	163,672
Post-employment benefit obligation	1,584,440	2,644,878
Share-based compensation	890,632	369,307
Provisions	90,407	114,613
Others	2,219,622	(549,645)
	<u>(P 370,764,426)</u>	<u>(P 218,943,926)</u>

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:						
2022	P	2,939,880,619	P -	P -	P 2,939,880,619	2025
2021		3,042,075,680	-	-	3,042,075,680	2026
2020		2,607,824,522	-	-	2,607,824,522	2025
2019		426,533,137	29,494,660	397,038,478	-	2022
	P	9,016,313,958	P 29,494,660	P 397,038,478	P 8,589,780,821	
MCIT:						
2022	P	12,675,625	P -	P -	P 12,675,625	2025
2021		12,675,625	-	-	12,675,625	2024
2020		4,140,586	-	-	4,140,586	2023
2019		2,102,988	-	2,102,988	-	2022
	P	31,594,824	P -	P 2,102,988	P 29,491,836	

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% of gross income in 2022 and 2021 as defined under the tax regulations or RCIT, whichever is higher.

In 2022, 2021 and 2020, the Group opted to claim itemized deductions in computing for its income tax due.

18.3 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.

19. 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, 2022, 2021 and 2020 and the related outstanding balances as of December 31, 2022 and 2021 is presented in the succeeding page.

Related Party Category	Notes	Amounts of Transactions			Outstanding Balances	
		2022	2021	2020	2022	2021
Parent —						
Cash advances granted	19.4	(P 293,583,221)	P 6,426,326,198	P 317,184,433	P 7,113,121,679	P 7,406,704,900
Associate —						
Sale of Dito	10, 19.4	-	-	4,106,249,866	271,874,967	271,874,967
Related parties under common ownership:						
Chartering of services rendered	19.1	146,586,469	261,107,005	447,541,689	73,199,255	32,949,882
Fuel purchases	19.2	374,044,617	1,673,670,555	1,261,997,185	(2,681,942,524)	(2,743,065,055)
Acquisition of SFFC's shares	19.6	-	(528,132,766)	(121,867,234)	-	-
Acquisition of CSC's shares	19.6	-	-	-	(500,000,000)	(500,000,000)
Rental expense	19.3	2,598,304	2,213,728	80,955	(4,190,152)	(1,330,110)
Donation	19.9(b)	-	360,000	180,000	(360,000)	(360,000)
Cash advances granted	19.4	(29,871,909)	(32,410,566)	(2,716,725)	86,058,666	115,930,575
Cash advances obtained	19.4	(94,533,448)	36,239,823	(527,032,651)	(529,490,390)	(624,023,838)
Right-of-use assets	9, 19.7	(16,656,540)	(82,242,174)	(34,146,043)	26,372,856	43,029,396
Lease liabilities	12.4, 19.7	17,347,050	79,779,198	(27,520,382)	(26,177,746)	(43,524,796)
Stockholders —						
Cash advances granted	19.4	148,223,838	-	-	148,223,838	-
Key management personnel —						
Compensation and benefits	19.8	42,670,026	55,335,632	53,729,336	-	-

The Group's outstanding receivables with related parties were subjected to impairment testing using PFRS 9's ECL model (see Note 25.2).

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.

19.1 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, 2022 and 2021 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, 2022 and 2021 based on management's assessment.

19.2 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 14) while the remaining fuel and lubricants inventory amounting to P96.2 million and P112.0 million as of December 31, 2022 and 2021, 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, 2022 and 2021 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 13).

19.3 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 14 and 15). 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 Note 11).

19.4 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, 2022 and 2021, 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 movements in Advances to Related Parties in 2022 and 2021 follows:

	Parent Company	Associate	Related Parties under common Ownership	Stockholders	Total
December 31, 2022					
Balance at beginning of year	P 7,406,704,900	P 271,874,967	P 115,930,575	P -	P 7,794,510,442
Advances	-	-	-	148,223,838	148,223,838
Collections	(293,583,221)	-	(29,871,909)	-	(323,455,130)
Balance at end of year	<u>P 7,113,121,679</u>	<u>P 271,874,967</u>	<u>P 86,058,666</u>	<u>P 148,223,838</u>	<u>P 7,619,279,150</u>
December 31, 2021					
Balance at beginning of year	P 980,378,702	P 271,874,967	P 148,341,141	P -	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	<u>P 7,406,704,900</u>	<u>P 271,874,967</u>	<u>P 115,930,575</u>	<u>P -</u>	<u>P 7,794,510,442</u>

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 17.3).

Based on management's assessment, no impairment loss is recognized in 2022 and 2021 related to the advances granted to related parties (see Note 25.2).

The movement in the Advances from Related Parties account in 2022 and 2021 follows:

	2022	2021
Balance at beginning of year	P 624,023,838	P 587,784,015
Repayments	(94,533,448)	-
Obtained	-	36,239,823
Balance at end of year	<u>P 529,490,390</u>	<u>P 624,023,838</u>

19.5 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 P61.3 million and P65.7 million as of December 31, 2022 and 2021, respectively. As of December 31, 2022 and 2021, the Group's retirement funds do not include any investments in 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 16.2.

19.6 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 20.3). As of December 31, 2022 and 2021, the outstanding liability from this transaction amounting to P500.0 million is presented as Non-trade payables under the Trade and Other Payables account in the consolidated statements of financial position (see Note 13).

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 23). The outstanding balance bears an effective interest of 6.50% per annum. This was fully settled in 2021.

19.7 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 P39.4 million and P43.0 million, and P38.9 million and P43.5 million, respectively, in the consolidated statements of financial position (see Notes 9 and 12.4). 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 15). 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 17.1).

19.8 Key Management Personnel Compensation

The Group's key management personnel compensation includes short-term benefits and post-employment defined benefits amounting to P42.7 million, P55.3 million and P53.7 million in 2022, 2021 and 2020, 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 15).

19.9 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 12.1). Certain interest-bearing loans of Udenna were also secured by a corporate guarantee of the Company through a continuing surety agreement with the respective banks.
- (b) The Group granted donations amounting to P0.2 million in 2021 and 2020 (nil in 2022), 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 15). The outstanding balance is presented as part of Trade and other payables account in the consolidated statements of financial position.

20. EQUITY

20.1 Capital Stock

Capital stock consists of:

	Shares		Amount	
	2022	2021	2022	2021
Preferred shares – P1 par value				
Authorized	<u>10,000,000</u>	<u>10,000,000</u>	<u>P 10,000,000</u>	<u>P 10,000,000</u>
Issuances during the year	<u>500,000</u>	<u>-</u>	<u>P 500,000</u>	<u>P -</u>
Issued and outstanding	<u>500,000</u>	<u>-</u>	<u>P 500,000</u>	<u>P -</u>
Common shares – P1 par value				
Authorized	<u>3,490,000,000</u>	<u>1,990,000,000</u>	<u>P3,490,000,000</u>	<u>P1,990,000,000</u>
Issued	<u>1,821,977,615</u>	<u>1,821,977,615</u>	<u>P1,821,977,615</u>	<u>P1,821,977,615</u>
Subscribed shares:				
Subscriptions of shares during the year	<u>375,000,000</u>	<u>-</u>	<u>375,000,000</u>	<u>-</u>
Subscription receivables	<u>(281,250,000)</u>	<u>-</u>	<u>(281,250,000)</u>	<u>-</u>
Balance at end of year	<u>93,750,000</u>	<u>-</u>	<u>93,750,000</u>	<u>-</u>
Total issued, subscribed and outstanding shares	<u>1,916,227,615</u>	<u>1,821,977,615</u>	<u>P1,916,227,615</u>	<u>P1,821,977,615</u>

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. In addition, the Company 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 Company recognized the APIC amounting to P4,725,754,772, net of issuance costs amounting to P565,265,468. As at December 31, 2022 and 2021, the Company's listed shares closed at P1.66 and P1.62 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 subscribed 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 receipt of capital infusion from Global Kingdom Investments Limited amounting to P414.8 million and from Udenna amounting to P305.6 million, totaling to P805.6 million was presented as Deposits on Future Stock Subscriptions under Equity section as of December 31, 2021 and was reclassified as part of Capital Stock and Additional Paid-in Capital in 2022 upon approval of the increase in the authorized capital stock of SEC on April 4, 2022. (see Note 1.1)

In 2022, Global Kingdom has fully paid its subscriptions to preferred shares and the Company subsequently issued the preferred shares. The preferred shares are non-voting, redeemable at the option of the issuer at subscription price and earn cumulative cash dividend at a rate of 8% per annum payable upon BOD's declaration and approval.

The subscription of Udenna diluted the public ownership of the Company from 30% to 25% as of December 31, 2022.

20.2 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 and in the succeeding page.

	Revaluation of Property and Equipment (see Note 9)	Actuarial Gain or Loss on PBO (see Note 16.2)	Cumulative Translation Adjustments	Total
Balance as of January 1, 2022	P 968,152,254	P 80,458,335	P 2,300,473	P 1,050,911,063
Revaluation increment	714,299,589	-	-	714,299,589
Remeasurements of post-employment benefit obligation	-	34,014,774	-	34,014,774
Currency exchange differences on translating financial statements of foreign operations	-	-	82,486	82,486
Other comprehensive income	714,299,589	34,014,774	82,486	748,396,849
Tax income	(194,507,434)	(6,164,984)	-	(200,672,418)
Other comprehensive income after tax	519,792,155	27,849,790	82,486	547,724,431
Transfer to retained earnings - Depreciation of revalued vessels	(107,379,607)	-	-	(107,379,607)
Balance at December 31, 2022	<u>P 1,380,564,802</u>	<u>P 108,308,125</u>	<u>P 2,382,959</u>	<u>P 1,491,255,887</u>

	Revaluation of Property and Equipment (see Note 9)	Actuarial Gain or Loss on PBO (see Note 16.2)	Cumulative Translation Adjustments	Total
Balance as of January 1, 2021	P 1,168,028,791	P 32,727,175	P 681,953	P 1,201,437,919
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 80,458,335	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 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)
Transfer to retained earnings - Depreciation of revalued vessels	(127,408,835)	-	-	(127,408,835)
Balance at December 31, 2020	P 1,168,028,791	P 32,727,175	P 681,953	P 1,201,437,919

20.3 Other Reserves

Other reserves amounting to P1.1 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 19.6). 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.

20.4 Non-controlling Interest

The balance as at December 31, 2022 and 2021 represents preferred shares subscription of certain individuals in Trans-Asia. These shares are non-voting and redeemable at the option of Trans-Asia.

20.5 Employee Stock Option Plan

On February 13, 2019, the BOD of the Company approved an 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 IOD. The Company shall receive cash for the stock options.

In 2022, the Company amended the subscription price of the stock options to P3.99 per share from P6.28 per share and the exercise periods to the first five trading days of September of every year. This change was taken prospectively from date of approval and resulted to an increase in share options expense amounting to P18.8 million during the year.

As of December 31, 2022 and 2021, 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, 2022 and 2021.

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
Amended exercise price	:	P3.99
Original 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.

21. LOSS PER SHARE

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Net loss	(P 2,526,614,157)	(P 3,905,266,957)	(P 3,310,949,604)
Divided by weighted average shares outstanding	<u>1,884,810,948</u>	<u>1,821,977,615</u>	<u>1,821,977,615</u>
Loss per share – basic and diluted	(P <u>1.341</u>)	(P <u>2.143</u>)	(P <u>1.817</u>)

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, 2022 and 2021. There were no outstanding convertible preferred shares and bonds or other stock equivalents as of December 31, 2022 and 2021; hence, diluted earnings per share is equal to the basic earnings per share.

22. COMMITMENTS AND CONTINGENCIES

The following are the significant commitments and contingencies involving the Group:

22.1 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.

22.2 Operating Lease Commitments – Group as Lessor

The Group entered into BB agreements, which qualifies as a lease. Income recognized under BB agreements amounted to P188.9 million, P149.4 million and P156.6 million in 2022, 2021 and 2020, respectively. These are presented as part of Charter fees under Revenues in the consolidated statements of profit or loss (see Note 24.5). Commitments relating to these agreements amounted to P361.6 million and P99.0 million as of December 31, 2022 and 2021, respectively.

In 2022, the future minimum lease receivables under these BB agreements are as follows:

Within one year	P	89,349,120
After one year but not more than two years		86,705,400
After two years but not more than three years		76,603,800
After three years but not more than four years		76,603,800
After four years but not more than five years		<u>32,325,120</u>
	P	<u>361,587,240</u>

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. These BB agreements do not include provisions on variable lease payments in 2022 and 2021.

22.3 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 13).

22.4 Unused Lines of Credit

As of December 31, 2022 and 2021, the Group has unused lines of credit amounting to P2.5 million.

22.5 Warehouse Construction

On December 19, 2019, the WSI 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. In 2022, the construction of the warehouse was put into permanent stoppage and the total capital expenditure amounting to P232.6 million was written off and recognized as Impairment losses on investment properties under the Other Income (Charges) account in the 2022 consolidated statement of profit or loss.

22.6 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.

23. 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, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Cost	P 1,848,378,146	P1,848,378,146
Accumulated impairment loss	(74,294,814)	(10,375,700)
Net carrying amount	<u>P 1,774,083,332</u>	<u>P 1,838,002,446</u>

The movements of this account as of December 31, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Balance at beginning of year	P1,838,002,446	P 1,848,378,146
Impairment during the year	(63,919,114)	(10,375,700)
Balance at end of year	<u>P 1,774,083,332</u>	<u>P1,838,002,446</u>

Goodwill recognized by the Group are significantly allocated to the following segments:

	<u>2022</u>	<u>2021</u>
Roll-on/roll-off passenger	P 1,295,633,122	P 1,295,633,122
Distribution and warehousing	478,450,210	478,499,319
Tankering	-	63,870,005
	<u>P 1,774,083,332</u>	<u>P 1,838,002,446</u>

Goodwill is subject to annual impairment testing as required under PAS 36, *Impairment of Assets*. In 2022 and 2021, the recoverable amounts of the cash-generating units were determined based on value-in-use calculations, which require use of various assumptions.

In 2022 and 2021, the Group determined that the goodwill arising from the acquisition of MI and BMI (under tinkering business segment) is no longer recoverable; hence, an impairment amounting to P63.9 million and P10.4 million was recognized and is presented as Impairment loss on goodwill in the consolidated statements 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.

	<u>2022</u>		<u>2021</u>	
	Average Discount Rate	Terminal Growth Rate	Average Discount Rate	Terminal Growth Rate
Roll-on/Roll-off passenger	6.41%	3.70%	5.71%	3.70%
Distribution and warehousing	5.75%	3.70%	5.73%	3.70%
Tankering	6.55%	3.70%	9.31%	3.70%

Based on these analyses, management has assessed that no further impairment of goodwill is required to be recognized as of December 31, 2022 and 2021. 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.

24. SEGMENT INFORMATION

24.1 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.

24.2 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.

24.3 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 2022, 2021 and 2020.

24.4 Analysis of Segment Information

The tables in the succeeding pages present revenue and profit information regarding business segments for the years ended December 31, 2022, 2021 and 2020 and assets and liabilities information regarding segments as at December 31, 2022 and 2021.

	Investing and Other Activities	Tankering	Tugboats	Roll-on/ Roll-off Passenger	Distribution and Warehousing	Ship Management and Crewing	Total
December 31, 2022							
SEGMENT RESULTS							
Sales to external customers	P -	P 568,398,608	P 424,350,566	P 4,887,849,262	P 552,154,833	P -	P 6,432,753,269
Intersegment sales	373,544,871	-	27,225,625	181,200,000	-	370,673,328	952,643,824
Total revenues	373,544,871	568,398,608	451,576,191	5,069,049,262	552,154,833	370,673,328	7,385,397,093
Cost of sales and services	-	738,080,165	350,737,935	4,448,335,771	398,674,694	311,373,363	6,247,201,928
Other operating expenses	253,046,119	138,036,981	71,250,331	873,564,350	124,467,936	60,647,701	1,521,013,419
Expected credit losses on receivables	-	(20,032,671)	20,491,460	36,108,694	5,305,298	-	41,872,781
Finance costs	171,575,324	459,748,701	11,053,334	690,460,412	4,069,833	34,115,817	1,371,023,421
Impairment losses on investment properties	-	-	-	-	232,607,476	-	232,607,476
Loss (gain) on debt modification	(3,677,615)	26,286,127	-	(156,964,296)	-	-	(134,355,784)
Impairment losses on property and equipment	-	-	16,007,570	608,434,170	-	-	624,441,740
Impairment loss on goodwill	-	63,919,114	-	-	-	-	63,919,114
Finance income	(37,204,945)	(7,322)	(7,084)	(228,496)	(133,817)	(2,915)	(37,584,579)
Other loss (income)	(4,548,399)	5,955,549	(15,239,640)	(42,878,827)	(3,149)	(1,239,577)	(57,954,043)
Segment operating profit (loss)	(P 5,645,613)	(P 843,588,036)	(P 2,717,715)	(P 1,387,782,516)	(P 212,833,438)	(P 34,221,061)	(P 2,486,788,380)
SEGMENT ASSETS AND LIABILITIES							
Total assets	P 35,508,572,754	P 10,506,832,919	P 911,955,035	P 13,644,827,403	P 436,503,677	P 700,055,521	P 61,708,747,309
Total liabilities	P 20,078,829,130	P 10,049,545,802	P 314,579,346	P 15,967,389,225	P 386,222,111	P 501,280,797	P 47,297,846,411
December 31, 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 4,468,563,672
Intersegment sales	253,921,310	-	45,344,633	72,284,948	-	391,737,683	763,288,574
Total revenues	253,921,310	541,423,517	376,667,473	3,149,898,100	518,204,163	391,737,683	5,231,852,246
Cost of sales and services	-	902,034,800	308,212,982	3,495,454,608	344,964,920	313,897,632	5,364,564,942
Other operating expenses	356,950,872	131,143,673	69,353,781	767,542,009	148,159,950	71,080,082	1,544,230,367
Expected credit losses on receivables	-	248,826,285	15,608,760	126,063,435	5,888,495	-	396,386,975
Finance costs	168,781,649	560,861,790	11,121,469	663,907,823	5,117,917	21,249,972	1,431,040,620
Share in net loss of associates	892,225,943	-	-	-	-	-	892,225,943
Gain on redemption of preferred shares	(355,489,306)	-	-	-	-	-	(355,489,306)
Gain on sale of asset held for sale	(154,024,713)	-	-	9,419,000	-	-	(144,605,713)
Impairment loss on goodwill	10,375,700	-	-	-	-	-	10,375,700
Finance income	(11,466)	(180,790)	(3,031)	(5,427,488)	(395,635)	(16,340)	(6,034,750)
Other loss (income)	(4,519,885)	200,816,442	-	(51,617,651)	(1,220,891)	(926,500)	142,531,515
Segment operating profit (loss)	(P 660,367,484)	(P 1,502,078,683)	(P 27,626,488)	(P 1,855,443,636)	(P 15,689,407)	(P 13,547,162)	(P 4,043,374,047)
December 31, 2021							
SEGMENT ASSETS AND LIABILITIES							
Total assets	P 36,187,705,371	P 10,827,120,732	P 966,704,542	P 16,757,139,054	P 705,165,916	P 705,078,605	P 66,148,914,220
Total liabilities	P 20,835,523,934	P 9,707,857,143	P 422,694,286	P 17,748,930,010	P 465,076,746	P 452,824,723	P 49,632,906,842
December 31, 2020							
SEGMENT RESULTS							
Sales to external customers	P -	P 1,188,238,892	P 350,602,251	P 2,656,716,660	P 367,758,484	P 115,603,076	P 4,678,919,363
Intersegment sales	238,623,201	-	63,946,196	153,200,000	-	436,206,728	891,976,125
Total revenues	238,623,201	1,188,238,892	414,548,447	2,809,916,660	367,758,484	551,809,804	5,570,895,488
Cost of sales and services	-	1,316,414,926	349,795,533	3,496,657,368	227,408,887	470,552,380	5,860,829,094
Other operating expenses	269,605,322	206,813,397	39,611,553	561,853,664	118,642,893	83,953,667	1,280,480,496
Expected credit losses on receivables	-	394,943,511	13,626,237	341,123,934	11,876,033	-	761,569,715
Finance costs	184,765,854	507,572,035	14,107,818	584,004,178	4,148,326	7,890,657	1,302,488,868
Share in net loss of associates	1,046,368,575	-	-	-	-	-	1,046,368,575
Finance income	(11,466)	(202,181)	-	(23,163,910)	-	-	(23,377,557)
Loss on remeasurement	313,899,803	-	-	-	-	-	313,899,803
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	(1,165,061,971)	-	-	-	-	-	(1,165,061,971)
Other loss (income)	166,736	(61,644,053)	409,436	(34,529,604)	(8,860)	(2,722,613)	(98,328,958)
Segment operating profit (loss)	P 572,505,500	(P 1,262,271,323)	(P 3,002,130)	(P 2,116,028,970)	(P 5,691,205)	(P 7,864,287)	(P 2,810,970,005)

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Revenues			
Total segment revenues	P 7,385,397,093	P 5,231,852,246	P 5,570,895,488
Elimination of intersegment revenues	(952,643,824)	(763,288,574)	(891,976,125)
Reported as profit or loss	<u>P 6,432,753,269</u>	<u>P 4,468,563,672</u>	<u>P 4,678,919,363</u>
Profit or loss			
Segment operating profit (loss)	(P 2,486,788,380)	(P 4,043,374,047)	(P 2,810,970,005)
Other unallocated income			
Other unallocated expense	<u>16,855,009</u>	<u>72,628,399</u>	<u>(90,578,553)</u>
Profit before tax as reported in profit or loss	<u>(P 2,469,933,371)</u>	<u>(P 3,970,745,648)</u>	<u>(P 2,901,548,558)</u>
Assets			
Segment Assets	P 61,708,747,309	P 66,148,914,220	
Elimination of intercompany accounts	(28,778,640,581)	(32,026,446,455)	
Total assets as reported in the consolidated statement of financial position	<u>P 32,930,106,728</u>	<u>P 34,122,467,765</u>	
Liabilities			
Segment Liabilities	47,297,846,411	49,632,906,842	
Elimination of intercompany accounts	(18,143,068,914)	(21,160,697,612)	
Total liabilities as reported in the consolidated statement of financial position	<u>P 29,154,777,497</u>	<u>P 28,472,209,230</u>	

24.5 Disaggregation of Revenues from Contracts with Customers

The disaggregation of revenues based on the timing of satisfaction of performance obligations for the years ended December 31, 2022, 2021 and 2020 is presented below.

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Revenues recognized over time:			
Freight	P 3,383,199,650	P 2,727,204,296	P 2,096,912,751
Charter fees	718,310,785	553,604,003	1,164,503,305
Other service revenues	567,512,968	518,914,366	483,361,560
Tugboat fees	424,350,566	327,677,892	350,602,251
Passage	<u>1,224,793,917</u>	<u>292,861,800</u>	<u>500,941,882</u>
	6,318,167,886	4,420,262,357	4,596,321,749
Revenues recognized at a point in time —			
Sale of goods	<u>114,585,383</u>	<u>48,301,315</u>	<u>82,597,614</u>
Total revenues	<u>P 6,432,753,269</u>	<u>P 4,468,563,672</u>	<u>P 4,678,919,363</u>

25. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks in relation to its financial instruments. The Group's financial assets and financial liabilities by category are summarized in Note 26. The main types of risks are market risk, credit risk and liquidity risk.

The Group's risk management is coordinated with its parent Company, in close cooperation with the BOD, and focuses on actively securing the Group's short to medium-term cash flows by minimizing the exposure to financial markets.

The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The relevant financial risks to which the Group is exposed to are described below.

25.1 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, 2022 and 2021 closing rates follow:

	<u>2022</u>	<u>2021</u>
Financial assets	P 5,211,797	P 855,273
Financial liabilities	(1,181,061,345)	(279,257,000)
Net exposure	<u>(P 1,175,849,548)</u>	<u>(P 278,401,727)</u>

If the Philippine peso had strengthened against the U.S. dollar, loss before tax in 2022 and 2021 would have decreased by P187.4 million and P31.5 million, respectively. If the Philippine peso had weakened against the U.S. dollar, then this would have increased loss before tax in 2022 and 2021, respectively, by the same amount. This sensitivity of the net result for the period assumes a +/-15.94% and +/-11.30% change of the Philippine peso/U.S. dollar exchange rate for the periods ended December 31, 2022 and 2021, respectively. These percentages have been determined based on the average market volatility in exchange rates, using standard deviation, in 12 months for 2022 and 2021 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, 2022 and 2021, 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 12). 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 +/- 1.49% in 2022 and +/- 1.43% in 2021, respectively. Bank loans, which vary with certain foreign interest rates, are tested on a reasonably possible change of +/- 0.11% in 2022 and 2021. 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.

25.2 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.

	<u>Notes</u>	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	4	P 236,810,520	P 269,690,887
Trade and other receivables – net (excluding advances to officers and employees)	5	764,205,064	1,035,309,743
Restricted cash	7, 11	5,295,882	6,578,382
Security deposits	11	47,360,694	88,502,533
Advances to related parties	19.4	<u>7,619,279,150</u>	<u>7,794,510,442</u>
		<u>P 8,672,951,310</u>	<u>P 9,194,591,987</u>

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, 2022 and 2021, 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, 2022 and 2021 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	Total
December 31, 2022					
Expected loss rate	0.00%	28.24%	19.75%	74.01%	
Gross carrying amount - trade receivables	150,019,585	153,760,466	63,956,261	1,366,028,505	1,733,764,817
Loss allowance	-	43,417,242	12,632,996	1,011,041,744	1,067,091,982
December 31, 2021					
Expected loss rate	0.00%	14.25%	24.26%	77.23%	
Gross carrying amount - trade receivables	433,876,040	82,155,646	302,124,712	1,262,369,763	2,080,526,161
Loss allowance	-	11,711,177	73,289,317	974,922,864	1,059,923,358

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 19.1 and 19.2).

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, 2022 and 2021 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.

25.3 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, 2022, the Group's financial liabilities, excluding lease liabilities, have contractual maturities which are presented below.

	Notes	Current		Non-current	
		Within Six Months	Six to 12 Months	One to Five Years	More than Five Years
Interest-bearing loans	12	P 4,013,267,930	P 2,016,566,351	P 11,687,348,178	P 5,255,758,463
Trade and other payables (except for government-related obligations)	13	6,108,387,879	-	-	-
Advances from related parties	19.4	264,745,195	264,745,195	-	-
		P 10,386,401,004	P 2,281,311,546	P 11,687,348,178	P 5,255,758,463

As at December 31, 2021, the Group's financial liabilities have contractual maturities, which are presented below.

	Notes	Current		Non-current	
		Within Six Months	Six to 12 Months	One to Five Years	More than Five Years
Interest-bearing loans	12	P 4,385,292,957	P 1,826,149,642	P 9,952,673,133	P 3,053,531,104
Trade and other payables (except for government-related obligations)	13	7,721,188,901	-	-	-
Advances from related parties	19.4	312,011,919	312,011,920	-	-
		P 12,418,493,777	P 2,138,161,562	P 9,952,673,133	P 3,053,531,104

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.

26. CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

26.1 Carrying Amounts and Fair Values by Category

For financial assets and financial liabilities as of December 31, 2022 and 2021, management considers that the carrying amounts of the financial instruments approximate their fair values.

See Notes 2.6 and 2.12 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 25.

26.2 Offsetting of Financial Assets and Financial Liabilities

The Group has not set off financial assets and financial liabilities in 2022 and 2021 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 P7,298.8 million and P7,555.6 million as of December 31, 2022 and 2021, respectively, may be offset against the outstanding balances of trade and other payables and cash advances obtained from related parties totaling P3,742.2 million and P3,972.9 million as of December 31, 2022 and 2021, 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 Notes 17.3 and 19.4).

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 12.1). 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 11).

27. FAIR VALUE MEASUREMENTS AND DISCLOSURES

27.1 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.

27.2 Financial Instruments Measured at Fair Value

The Group has no financial instruments measured at fair value as of December 31, 2022 and 2021.

27.3 Financial Instruments Measured at Amortized Cost but for which Fair Value is Disclosed

The tables in the succeeding page summarize the fair value hierarchy of the Group's financial assets and financial liabilities as of December 31, 2022 and 2021, which are not measured at fair value in the consolidated statements of financial position but for which fair value is disclosed.

December 31, 2022				
	Level 1	Level 2	Level 3	Total
Financial Assets:				
<i>At amortized cost:</i>				
Cash and cash equivalents	P 236,810,520	p -	P -	P 236,810,520
Trade and other receivables - net	-	-	764,205,063	764,205,063
Restricted cash	5,295,882	-	-	5,295,882
Security deposits	-	-	47,360,694	47,360,694
Advances to related parties	-	-	7,619,279,150	7,619,279,150
	P 242,106,402	p -	P 8,430,844,907	P 8,672,951,309
Financial Liabilities—				
<i>At amortized cost:</i>				
Trade and other payables	p -	p -	P 7,846,483,313	P 7,846,483,313
Interest-bearing loans	-	-	22,972,940,923	22,972,940,923
Advances from related parties	-	-	529,490,390	529,490,390
	P -	P -	P 31,348,914,626	P 31,348,914,626
December 31, 2021				
	Level 1	Level 2	Level 3	Total
Financial Assets:				
<i>At amortized cost:</i>				
Cash and cash equivalents	P 269,690,887	p -	P -	P 269,690,887
Trade and other receivables - net	-	-	1,035,309,743	1,035,309,743
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:				
<i>At amortized cost:</i>				
Trade and other payables	P -	p -	P 7,721,188,901	P 7,721,188,901
Interest-bearing loans	-	-	19,217,646,836	19,217,646,836
Advances from related parties	-	-	624,023,838	624,023,838
	P -	P -	P 27,562,859,575	P 27,562,859,575

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.

27.4 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, 2022 and 2021, 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, 2022 and 2021 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 2022 and 2021.

28. 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:

	<u>2022</u>	<u>2021</u>
Total liabilities	P 29,154,777,497	P 28,472,209,230
Total equity	<u>3,775,329,231</u>	<u>5,650,258,535</u>
Debt-to-equity ratio	<u>7.72 : 1.00</u>	<u>5.04 : 1.00</u>

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.

29. 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 2022 and 2021, the Group recognized right-of-use assets and lease liabilities, with outstanding balances amounting to P122.7 million and P1,154.9 billion, respectively and are presented as part of Property of Equipment and Interest-bearing Loans and Borrowings in the consolidated statements of financial position. In 2022, the Group has pre-terminated a lease of lot with a right-of-use assets and lease liabilities amounting to P18.9 million and P21.4 million (see Notes 9 and 12). 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 12).
- (b) 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.
- (c) In 2021, the Group reclassified its land and CIP with a carrying amount of P1,199.7 million and P232.6 million, respectively, from Property and equipment to Investment properties as management has determined that the use of these properties is currently undetermined (see Notes 8 and 9). There was no similar transaction in 2022.
- (d) 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).



Report of Independent Auditors to Accompany Supplementary Information Required by the Securities and Exchange Commission Filed Separately from the Basic Consolidated Financial Statements

Punongbayan & Araullo

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The Enterprise Center

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The Board of Directors and Stockholders
Chelsea Logistics and Infrastructure Holdings Corp. and Subsidiaries
(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, 2022, on which we have rendered our report dated March 24, 2023. 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. 9566640, January 3, 2023, Makati City

SEC Group A Accreditation

Partner - No. 90741-SEC (until financial period 2025)

Firm - No. 0002 (until Dec. 31, 2024)

BIR AN 08-002511-019-2020 (until Dec. 21, 2023)

Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

March 24, 2023

CHELSEA LOGISTICS AND INFRASTRUCTURE HOLDINGS CORP. AND SUBSIDIARIES
(A Subsidiary of Udenna Corporation)
SCHEDULE A - FINANCIAL ASSETS
DECEMBER 31, 2022
(Amounts in Philippine Pesos)

<i>Name of issuing entity and association of each issue (i)</i>	<i>Number of shares or principal amount of bonds or notes</i>	<i>Amount shown on the balance sheet</i>	<i>Valued based on the market quotation at end of reporting period</i>	<i>Income received and accrued</i>
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- Nothing to report -

CHELSEA LOGISTICS AND INFRASTRUCTURE HOLDINGS CORP. AND SUBSIDIARIES
(A Subsidiary of Udenna Corporation)
SCHEDULE B - AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES
AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)
DECEMBER 31, 2022
(Amounts in Philippine Pesos)

<i>Name and designation of debtor</i>	<i>Balance at beginning of period</i>	<i>Additions</i>	<i>Deductions</i>		<i>Ending Balance</i>		<i>Balance at end of period</i>
			<i>Amounts collected</i>	<i>Amounts written off</i>	<i>Current</i>	<i>Non-current</i>	
Advances to Related Parties							
Stockholders	-	P 148,223,838	-	-	P 148,223,838	-	P 148,223,838

CHELSEA LOGISTICS AND INFRASTRUCTURE HOLDINGS CORP. AND SUBSIDIARIES
(A Subsidiary of Udenna Corporation)
SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED
DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
DECEMBER 31, 2022
(Amounts in Philippine Pesos)

Name and designation of debtor	Affected Accounts	Balance at beginning of year	Additions	Deductions		Ending Balance		Balance at end of year
				Amounts collected	Amounts written off	Current	Not current	
Chelsea Logistics and Infrastructure Holdings Corp	Trade Receivables	659,169,038	460,096,283	237,730,988	-	881,534,333	-	881,534,333
Trans-Asia Shipping Lines Inc.	Trade Payables	336,102,737	127,058,540	42,096,870	-	421,064,407	-	421,064,407
PNX- Chelsea Shipping Corp.	Trade Payables	14,661,198	10,934,246	2,145,893	-	23,449,551	-	23,449,551
Worklinks Services Inc.	Trade Payables	40,616,651	36,795,598	34,414,666	-	42,997,584	-	42,997,584
Chelsea Shipping Corp.	Trade Payables	37,197,379	20,896,076	6,219,116	-	51,874,340	-	51,874,340
Davao Gulf Marine Services Inc.	Trade Payables	20,473,848	18,379,451	30,452,227	-	8,401,072	-	8,401,072
Chelsea Ship Management & Marine Services Corp	Trade Payables	3,892,952	2,001,496	563,487	-	5,330,960	-	5,330,960
Fortis Tugs Corporation	Trade Payables	7,776,960	9,843,350	7,213,615	-	10,406,695	-	10,406,695
Quality Metal & Shipworks, Inc.	Trade Payables	13,009,681	1,127,191	633,747	-	13,503,125	-	13,503,125
Michael, Inc.	Trade Payables	495,795	-	66,401	-	429,394	-	429,394
Dynamic Cuisine, Inc.	Trade Payables	6,557,725	1,881,955	444,693	-	7,994,987	-	7,994,987
Chelsea Marine Manpower Resources, Inc.	Trade Payables	1,284,413	931,377	-	-	2,215,790	-	2,215,790
Bunkers Manila, Inc.	Trade Payables	2,457,604	-	106,768	-	2,350,836	-	2,350,836
Starsy Shoppe, Inc.	Trade Payables	1,927,183	1,033,082	172,387	-	2,787,878	-	2,787,878
Oceanstar Shipping Corp.	Trade Payables	4,707,889	1,575,941	422,127	-	5,861,702	-	5,861,702
CD Ship Management & Marine Services Corp.	Trade Payables	3,760,757	1,833,619	392,289	-	5,202,087	-	5,202,087
Starlite Ferries, Inc.	Trade Payables	156,760,083	178,058,321	88,072,145	-	246,746,259	-	246,746,259
Starlites Food Services Corp.	Trade Payables	7,486,184	6,082,040	814,559	-	12,753,665	-	12,753,665
Starlite Gallant Ferries, Inc.	Trade Payables	-	41,664,000	23,500,000	-	18,164,000	-	18,164,000
Chelsea Ship Management & Marine Services Corp	Trade Receivables	31,392,964	40,029,914	39,029,238	-	32,393,640	-	32,393,640
Fortis Tugs Corporation	Trade Payables	1,544,472	4,536,722	5,275,005	-	806,189	-	806,189
Michael, Inc.	Trade Payables	454,428	1,848,588	9,643	-	2,293,373	-	2,293,373
Bunkers Manila, Inc.	Trade Payables	(713,778)	-	(12,746)	-	(701,032)	-	(701,032)
Chelsea Shipping Corp.	Trade Payables	18,893,025	26,838,722	33,551,039	-	12,180,708	-	12,180,708
PNX-Chelsea Shipping Corp.	Trade Payables	11,214,816	6,805,882	206,296	-	17,814,401	-	17,814,401
CD Ship Management & Marine Services Corp.	Trade Receivables	28,766,353	32,743,200	25,125,559	-	36,383,994	-	36,383,994
PNX-Chelsea Shipping Corp.	Trade Payables	1,956,300	3,499,776	3,141,696	-	2,314,380	-	2,314,380
Starlite Ferries, Inc.	Trade Payables	8,466,272	15,507,744	12,248,328	-	11,725,688	-	11,725,688
The Supercat Fast Ferry Corp.	Trade Payables	-	5,182,464	378,714	-	4,803,750	-	4,803,750
Trans-Asia Shipping Lines, Incorporated	Trade Payables	18,343,781	8,553,216	9,356,821	-	17,540,176	-	17,540,176
Chelsea Marine Manpower Resources, Inc.	Trade Receivables	153,690,790	311,923,501	287,792,841	-	176,906,971	-	176,906,971
PNX-Chelsea Shipping Corp.	Trade Payables	63,084,355	38,348,160	12,011,358	-	89,421,157	-	89,421,157
Starlite Ferries, Inc.	Trade Payables	19,404,308	78,381,687	80,340,054	-	17,445,941	-	17,445,941
Chelsea Shipping Corp.	Trade Payables	44,150,372	98,499,548	115,531,436	-	27,118,485	-	27,118,485
Fortis Tugs Corporation	Trade Payables	5,846,529	28,788,795	27,065,790	-	7,569,534	-	7,569,534
Michael, Inc.	Trade Payables	7,801,112	7,384,742	8,220,229	-	6,965,625	-	6,965,625
Davao Gulf Marine Services, Inc.	Trade Payables	3,621,497	13,763,444	15,930,911	-	1,454,030	-	1,454,030
Bunkers Manila, Inc.	Trade Payables	3,629,520	2,749,982	3,068,353	-	3,311,148	-	3,311,148
Trans-Asia Shipping Lines Inc.	Trade Payables	2,276,085	33,843,813	25,624,711	-	10,495,189	-	10,495,189
Starlite Gallant Ferries, Inc.	Trade Payables	250,110	-	-	-	250,110	-	250,110
The Supercat Fast Ferry Corporation	Trade Payables	3,626,901	10,163,330	914,479	-	12,875,752	-	12,875,752
Fortis Tugs Corporation	Trade Receivables	39,594,122	36,943,899	49,088,109	-	27,449,912	-	27,449,912
Trans-Asia Shipping Lines Inc.	Trade Payables	11,320,260	597,500	2,528,240	-	9,389,520	-	9,389,520
Starlite Ferries, Inc.	Trade Payables	23,616	2,440,000	1,400,000	-	1,063,616	-	1,063,616
Chelsea Shipping Corp.	Trade Payables	2,596,200	3,165,200	4,155,600	-	1,605,800	-	1,605,800
Bunkers Manila, Inc.	Trade Payables	44,800	-	28,000	-	16,800	-	16,800
Michael, Inc.	Trade Payables	165,200	686,000	674,800	-	176,400	-	176,400
PNX- Chelsea Shipping Corp.	Trade Payables	6,638,885	2,100,000	8,151,600	-	587,286	-	587,286
Davao Gulf Marine Services Inc.	Trade Payables	18,200,360	27,955,200	32,149,870	-	14,005,690	-	14,005,690
The Supercat Fast Ferry Corporation	Trade Payables	604,800	-	-	-	604,800	-	604,800
TASU Services, Inc.	Trade Receivables	12,273,528	26,528,328	28,268,265	-	10,533,591	-	10,533,591
Trans-Asia Shipping Lines Inc.	Trade Payables	12,273,528	26,528,328	28,268,265	-	10,533,591	-	10,533,591
Starlite Ferries, Inc.	Trade Receivables	24,640,000	-	2,585,000	-	22,055,000	-	22,055,000
The Supercat Fast Ferry Corporation	Trade Payables	24,640,000	-	2,585,000	-	22,055,000	-	22,055,000
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	576,662,868	154,560,000	21,119,010	-	710,103,858	-	710,103,858
Trans-Asia Shipping Lines Inc.	Trade Payables	199,487,868	-	9,324,403	-	190,163,465	-	190,163,465
Starlite Ferries, Inc.	Trade Payables	377,175,000	154,560,000	11,794,607	-	519,940,393	-	519,940,393
Fortis Tugs Corporation	Dividends receivable	-	10,749,000	5,500,000	-	5,249,000	-	5,249,000
Davao Gulf Marine Services, Inc.	Dividends payable	-	10,749,000	5,500,000	-	5,249,000	-	5,249,000
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
(A Subsidiary of Udenna Corporation)
SCHEDULE D - INTANGIBLE ASSETS
DECEMBER 31, 2022
(Amounts in Philippine Pesos)

<i>Description</i>	<i>Beginning balance</i>	<i>Additions at cost</i>	<i>Charged to cost and expenses</i>	<i>Charged to other accounts</i>	<i>Other changes additions (deductions)</i>	<i>Ending balance</i>
Goodwill	P 1,838,002,446	-	P 63,919,114	-	-	P 1,774,083,332
Software	36,104,006	746,702	3,995,582	-	-	32,855,126
	P 1,874,106,452	P 746,702	P 67,914,696	-	-	P 1,806,938,458

CHELSEA LOGISTICS AND INFRASTRUCTURE HOLDINGS CORP. AND SUBSIDIARIES
(A Subsidiary of Udenna Corporation)
SCHEDULE E - LONG-TERM DEBT
DECEMBER 31, 2022
(Amounts in Philippine Pesos)

<i>Title of issue and type of obligation</i>	<i>Amount authorized by indenture</i>	<i>Amount shown under caption "Current portion of long-term debt" in related balance sheet</i>	<i>Amount shown under caption "Long-Term Debt" in related balance sheet</i>
Term loans	P 12,075,313,489	P 882,910,537	P 9,435,126,025
Bank loans	4,333,388,044	4,219,625,534	113,762,510
Mortgage loans	184,109,308	9,338,570	174,770,738
Lease Liabilities	2,935,096,174	233,482,323	2,701,613,851
	<u>P 19,527,907,015</u>	<u>P 5,345,356,964</u>	<u>P 12,425,273,124</u>

CHELSEA LOGISTICS AND INFRASTRUCTURE HOLDINGS CORP. AND SUBSIDIARIES
(A Subsidiary of Udenna Corporation)
SCHEDULE F - INDEBTEDNESS TO RELATED PARTIES (LONG-TERM LOANS FROM RELATED COMPANIES)
DECEMBER 31, 2022
(Amounts in Philippine Pesos)

<i>Name of related party</i>	<i>Balance at beginning of year</i>	<i>Balance at end of year</i>
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- Nothing to report -

CHELSEA LOGISTICS AND INFRASTRUCTURE HOLDINGS CORP. AND SUBSIDIARIES
(A Subsidiary of Udenna Corporation)
SCHEDULE G - GUARANTEE OF SECURITIES OF OTHER ISSUERS
DECEMBER 31, 2022
(Amounts in Philippine Pesos)

<i>Name of issuing entity of securities guaranteed by the company for which this statement is filed</i>	<i>Title of issue of each class of securities guaranteed</i>	<i>Total amount of guaranteed and outstanding</i>	<i>Amount owned by person for which statement is filed</i>	<i>Nature of guarantee</i>
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- Nothing to report -

CHELSEA LOGISTICS AND INFRASTRUCTURE HOLDINGS CORP. AND SUBSIDIARIES
(A Subsidiary of Udenna Corporation)
SCHEDULE H - CAPITAL STOCK
DECEMBER 31, 2022

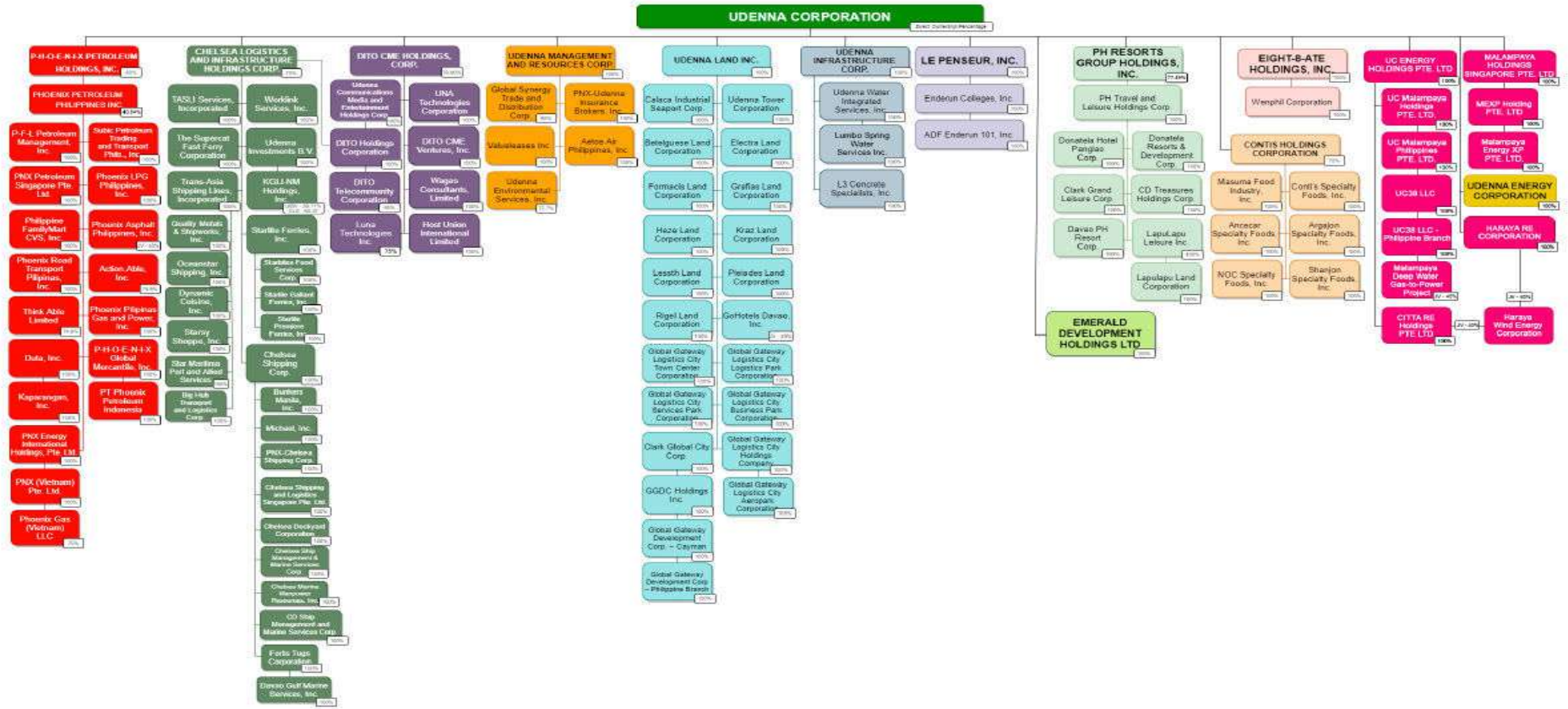
<i>Title of Issue</i>	<i>Number of Shares Authorized</i>	<i>Number of Shares Issued and Outstanding under Related Balance</i>	<i>Number of Shares Reserved for Options, Warrants, Conversions</i>	<i>Number or Shares Held By</i>		
				<i>Related Parties (Parent, Affiliates)</i>	<i>Directors, Officers and Employees</i>	<i>Others</i>
Common Shares	3,490,000,000	1,821,977,615	Not Applicable	1,275,384,606	1,057,300	545,535,709
Preferred Shares	10,000,000	500,000	Not Applicable	-	-	-

CHELSEA LOGISTICS AND INFRASTRUCTURE HOLDINGS CORP. AND SUBSIDIARIES
(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, 2022**

RETAINED EARNINGS AT BEGINNING OF YEAR <i>(As Presented in the 2021 Audited Financial Statements)</i>		P 89,959,215
Less: Deferred tax income		(<u>13,368,688</u>)
DEFICIT AT BEGINNING OF YEAR <i>(As Adjusted)</i>		76,590,527
Net Income Actually Incurred during the Year		
Net loss for the year	(P 737,236,014)	
Less: Deferred tax income	(<u>256,402,693</u>)	(<u>993,638,707</u>)
RETAINED EARNINGS AT END OF YEAR		(<u>P 917,048,180</u>)

CHELSEA LOGISTICS AND INFRASTRUCTURE HOLDINGS CORP. AND SUBSIDIARIES
(A Subsidiary of Udena Corporation)
Map Showing the Relationship Between and Among Related Entities
 December 31, 2022



Report of Independent Auditors on Components of Financial Soundness Indicators

Punongbayan & Araullo
20th Floor, Tower 1
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The Board of Directors and Stockholders
Chelsea Logistics and Infrastructure Holdings Corp. and Subsidiaries
(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, 2022, on which we have rendered our report dated March 24, 2023. 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, 2022 and 2021 and for each of the three years in the period ended December 31, 2022 and no material exceptions were noted.

PUNONGBAYAN & ARAULLO



By: **Ramilito L. Nañola**
Partner

CPA Reg. No. 0090741
TIN 109-228-427
PTR No. 9566640, January 3, 2023, Makati City
SEC Group A Accreditation
Partner - No. 90741-SEC (until financial period 2025)
Firm - No. 0002 (until Dec. 31, 2024)
BIR AN 08-002511-019-2020 (until Dec. 21, 2023)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

March 24, 2023

CHELSEA LOGISTICS AND INFRASTRUCTURE HOLDINGS CORP. AND SUBSIDIARIES
(Formerly Chelsea Logistics Holdings Corp.)
(A Subsidiary of Udena Corporation)
FINANCIAL SOUNDNESS INDICATORS
DECEMBER 31, 2022, 2021 and 2020
(Amounts in Philippine Pesos)

	<u>2022</u>		<u>2021</u>		<u>2020</u>
I. CURRENT/LIQUIDITY RATIOS					
Current Ratio					
Current Assets	<u>10,667,919,103</u>		<u>11,038,120,177</u>		<u>4,988,454,660</u>
Current Liabilities	<u>16,265,945,373</u>	0.66	16,135,133,300	0.68	16,760,814,025
Acid Test Ratio					
Current Assets - Inventories and Other Current Assets	<u>8,646,138,701</u>		<u>9,119,442,247</u>		<u>3,128,250,551</u>
Current Liabilities	<u>16,265,945,373</u>	0.53	16,135,133,300	0.57	16,760,814,025
II. SOLVENCY RATIOS					
Debt-to-assets Ratio					
Total Liabilities	<u>29,154,777,497</u>		<u>28,472,209,230</u>		<u>27,868,825,957</u>
Total Assets	<u>32,930,106,728</u>	0.89	34,122,467,765	0.83	37,354,632,374
III. DEBT-TO-EQUITY RATIO					
Debt-to-equity Ratio					
Total Liabilities	<u>29,154,777,497</u>		<u>28,472,209,230</u>		<u>27,868,825,957</u>
Total Equity	<u>3,775,329,231</u>	7.72	5,650,258,535	5.04	9,485,806,417
ASSET-TO-EQUITY RATIO					
Asset-to-equity Ratio					
Total Assets	<u>32,930,106,728</u>		<u>34,122,467,765</u>		<u>37,354,632,374</u>
Total Equity	<u>3,775,329,231</u>	8.72	5,650,258,535	6.04	9,485,806,417
IV. INTEREST RATE COVERAGE RATIO					
Interest Coverage Ratio					
EBITDA	<u>959,448,730</u>		<u>(30,857,767)</u>		<u>205,417,084</u>
Interest Expense	<u>1,208,198,335</u>	0.79	1,300,967,463 (	0.02)	1,300,967,463
V. PROFITABILITY RATIOS					
Return on equity					
Net Loss	<u>(2,526,614,157)</u>		<u>(3,905,266,957)</u>		<u>(3,310,949,604)</u>
Shareholders' equity	<u>3,775,329,231</u>	(0.67)	5,650,258,535 (	0.69)	9,485,806,417 (
Return on assets					
Net Loss	<u>(2,526,614,157)</u>		<u>(3,905,266,957)</u>		<u>(3,310,949,604)</u>
Total Assets	<u>32,930,106,728</u>	(0.08)	34,122,467,765 (	0.11)	37,354,632,374 (
Net Profit Ratio					
Net Loss	<u>(2,526,614,157)</u>		<u>(3,905,266,957)</u>		<u>(3,310,949,604)</u>
Total Revenues	<u>6,432,753,269</u>	(0.39)	4,468,563,672 (	0.87)	4,678,919,363 (
Gross Profit Ratio					
Gross Profit (Loss)	<u>763,207,718</u>		<u>(438,802,248)</u>		<u>(548,379,559)</u>
Total Revenues	<u>6,432,753,269</u>	0.12	4,468,563,672 (	0.10)	4,678,919,363 (
EBITDA Margin					
EBITDA	<u>959,448,730</u>		<u>(30,857,767)</u>		<u>205,417,084</u>
Total Revenues	<u>6,432,753,269</u>	15%	4,468,563,672	-1%	4,678,919,363
VI. OTHER RATIOS					
Book Value Per Share - common					
Total Equity	<u>3,775,329,231</u>		<u>5,650,258,535</u>		<u>9,275,443,148</u>
Number of Shares Outstanding	<u>1,821,977,615</u>	2.07	1,821,977,615	3.10	1,821,977,615
Earnings Per Share					
Net Loss	<u>(2,526,614,157)</u>		<u>(3,905,266,957)</u>		<u>(3,310,949,604)</u>
Weighted Average No. of Shares	<u>1,884,810,948</u>	(1.34)	1,821,977,615 (	2.14)	1,821,977,615 (

SUSTAINABILITY REPORT

Contextual Information

Company Details	
Name of Organization	Chelsea Logistics and Infrastructure Holdings Corp. (CLIHC)
Location of Headquarters	Stella Hizon Reyes Road, Bo. Pampanga, Davao City Philippines 8000
Location of Operations	Nationwide Operations
Report Boundary: Legal entities (e.g. subsidiaries) included in this report*	Chelsea Shipping Corp., Trans-Asia Shipping Lines, Incorporated, Starlite Ferries, Inc., Worklink Services, Inc., The Supercat Fast Ferry Corporation, TASLI Services Incorporated
Business Model, including Primary Activities, Brands, Products, and Services	Tankering, Cargo Shipping/Freight, Passenger Shipping, Tugboat Services and Logistics & Warehousing
Reporting Period	FY2022
Highest Ranking Person responsible for this report	Chryss Alfonsus V. Damuy President & CEO

Materiality Process

Explain how you applied the materiality principle (or the materiality process) in identifying your material topics.¹⁴

The scope of this Sustainability Report extends to CLIHC's 6 main subsidiaries over which it has direct ownership control: Chelsea Shipping Corp., Trans-Asia Shipping Lines, Incorporated, Starlite Ferries, Inc., Worklink Services, Inc., The Supercat Fast Ferry Corporation and TASLI Services Incorporated. These 6 subsidiaries have material contributions and impact on the Group in terms of business operations and continuity.

Due to the Chelsea Group's broad operations in the shipping and logistics sectors which cater to various corporate and retail accounts, this Report limits the scope to the general and common issues to be able to provide a clear introduction to the Group's operations.

Economic Performance

Direct Economic Value Generated and Distributed

Disclosure	Amount	Units
Direct economic value generated (revenue)	6,433	₱ mn
Direct economic value distributed:		₱ mn
a. Operating costs	6,826	₱ mn
b. Employee wages and benefits	878	₱ mn
c. Payments to suppliers, other operating costs	Refer to a	₱ mn
d. Dividends given to stockholders and interest payments to loan providers	462*	₱ mn
e. Taxes given to government	57**	₱ mn
f. Investments to community (e.g. donations, CSR)	0.138	₱ mn

*Interest Payments for 2021

**Tax Expense for 2021

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
<p>CLIHC's core businesses include Tankering, Freight, Passage, Tugboat services and Logistics Services.</p> <p>CLIHC takes pride in transporting passengers throughout the archipelago, as passage shipping remains the economically efficient way to move people in the country.</p> <p>CLIHC's tankering, cargo transport, logistics and tugboat services supports various businesses across the country. Shipping is the primary means of inter-island transport, especially for bulk goods.</p> <p>CLIHC's core businesses play vital roles in economic growth and development.</p>	<p>Shareholders Employees Government Customers Suppliers Various Communities</p>	<p>The Management is focused on modernizing and right-sizing our vessel fleet, ramping up our logistics and warehousing capacity, and synergizing all our operations.</p> <p>CLIHC also aims to contribute to the improvement of the shipping industry by applying the best practices in ship management and in adhering to global standards.</p>
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
<ul style="list-style-type: none"> • Maritime vessels are susceptible to maritime accidents and mechanical breakdowns • Changes in the regulatory environment • Highly-competitive industry • Business cycle risks <p>For more information, please see 17A, Item 2</p>	<p>Shareholders Employees Government Customers Suppliers Various Communities</p>	<p>Please see 17A, Item 2</p>
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
<p>The Philippines has a robust economic growth, increasing GDP per Capita, increasing OFW remittances and tourist arrivals, and evident growth in the e-commerce sector.</p>	<p>Shareholders Employees Government Customers Suppliers Various Communities</p>	<p>All of CLIHC's core businesses support its main economic growth thrust which in turn, would be valuable to all our stakeholders.</p>

Climate-related risks and opportunities

CLIHC and its main subsidiaries have focused on growing the core businesses in the last 4 years through various acquisitions and fleet modernization and right-sizing program. CLIHC acknowledges the need to identify and manage climate-related risks and take advantage of opportunities that come. While the Group is in the process of synergizing its operations, with climate-related risks and safety at the top of mind, hereunder is a snapshot of its accomplishment regarding this matter for 2020:

Governance	Strategy	Risk Management	Metric and Targets
Safety Management	Ensure satisfactory Quality Management	Regular internal audit of our processes	Achieved ISO 9001:2015 Certification in January 2020
Vessel Maintenance	Ensure quality control in the shipping environment	Planned investments in vessel maintenance	Compliance with pertinent domestic maritime (MARINA) regulations and applicable international conventions.

Procurement Practices

Proportion of spending on local suppliers

Disclosure	Amount	Units
Percentage of procurement budget used for significant locations of operations that is spent on local suppliers	90	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Helps the local economy.	Shareholders Employees Government Customers Suppliers Various communities	CLIHC Procurement Department is focused on helping local markets by building networks with international companies with presence in the country. When these companies look for local suppliers for their operational requirements, CLIHC refers them to local suppliers.
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
High Cost: Mark-up from several channels the products or services went through before the Company receives the same. Government fees should also be taken into account.	Shareholders Employees Suppliers	CLIHC Procurement Department draws up plan for consolidated purchase prior to selection of credible suppliers, for restricted tendering.

Lead Time: Suppliers are dependent on Genuine Makers/ Dealers overseas' readiness to supply. After Sales. Many steps to be completed before getting feedback on warranty. Suppliers' Company Stability	Procurement Officers Clients	CLIHG Procurement Department administers bidding processes maintaining 3 quotes per request.
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
Low production cost and fast production cycle Improvement of public relations Accurate budget forecasting	Order requestor Suppliers Procurement Officers Clients	CLIHG Procurement Department ensures strategic sourcing process with utmost transparency and accountability.

Anti-Corruption

Training on Anti-corruption Policies and Procedures

Disclosure	Amount	Units
Percentage of employees to whom the organization's anti-corruption policies and procedures have been communicated to	100%	%
Percentage of business partners to whom the organization's anti-corruption policies and procedures have been communicated to	100%	%
Percentage of directors and management that have received anti-corruption training	100%	%
Percentage of employees that have received anti-corruption training	100%	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable

Incidents of Corruption

Disclosure	Amount	Units
Number of incidents in which directors were removed or disciplined for corruption	None	#
Number of incidents in which employees were dismissed or disciplined for corruption	None	#
Number of incidents when contracts with business partners were terminated due to incidents of corruption	None	#
What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable

Resource Management

Energy consumption within the organization:

Disclosure	Quantity	Units
Energy consumption (renewable sources)	N/A	GJ
Energy consumption (gasoline)	For Tasli, 9M; For CSC, est.20,000 liters	Liters
Energy consumption (LPG)	2,050**	Kg
Energy consumption (diesel)	For SFI, 20.7M; For CSC, 2.97M liters of diesel & 4.28M liters of IFO	Liters
Energy consumption (electricity)	For Tasli RoPax, 110 Kwh For Tasli Freighters, 40kWH For SFI Ropax, 80kWH For CSC, 6 tankers with 3 gensets each with 150-200KW capacity. For CSC tugs, 15 tugs with 2 gensets working alternately with capacity of 70kw each	kWh

*For Chelsea Shipping Starlite Ferries

**For Starlite Ferries

***For Chelsea Shipping Corp.

Reduction of energy consumption

Disclosure	Quantity	Units
Energy reduction (gasoline)	N/A	GJ
Energy reduction (LPG)	N/A	GJ
Energy reduction (diesel)	For CSC, est. 650,000 liters reduction	Liters
Energy reduction (electricity)	N/A	kWh
Energy reduction (gasoline)	N/A	GJ

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
The energy consumption is a major direct cost for the Group.	Shareholders Management Employees	We try to save our resources by implementing the following rules and procedures: Safe and Shortest route of Navigation Close monitoring day to day operation Control of daily Consumption Sounding of Tanks
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
Fluctuating energy prices	Shareholders Management Employees	We do not keep inventories of oil and electricity as most of our operations are in the country.
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
Purchase of Diesel (our major direct cost) from a sister company—Phoenix Petroleum	Shareholders Management Employees	Purchase of diesel from a sister company would help the Company save on costs.

Water consumption within the organization:

Disclosure	Quantity*	Units
Water withdrawal	Est 70,000	Cubic meters
Water consumption	For Tasli RoPax, 18MT/day; For Tasli Freighters, 6Mtons/ day; For SFI, 32Mtons/day; For CSC, 30 Mtons/day	Metric Tons
Water recycled and reused	N/A	Cubic meters

*For Chelsea Shipping Corp.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable

Materials used by the organization:

Disclosure	Quantity	Units
Materials used by weight or volume		
<ul style="list-style-type: none"> Renewable 	N/A	Kg/liters
<ul style="list-style-type: none"> Non-renewable 	For Tasli, 9M liters of Diesel Oil and 8.3M liters of IFO for 25,178 nautical miles; For SFI, ADO est. 24M liters; IFO (n/a); For CSC, est 23M liters ADO, IFO 9.8Mtons	Liters
Percentage of recycled input materials used to manufacture the organization's primary products and services	N/A	

*For Chelsea Shipping Corp.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable

Ecosystems and biodiversity (whether in upland/watershed or coastal/marine)

Disclosure	Quantity	Units
Operational sites owned, leased, managed in, or adjacent to protected areas and areas of high biodiversity value outside protected areas shore areas ?	N/A	
Habitats protected or restored our shore clean up and tree-planting activities ?	7,868	trees planted
IUCN ¹⁷ Red List species and national conservation list species with habitats in areas affected by operations	N/A	

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable

Environmental impact management

Air Emissions

GHG

Disclosure	Quantity	Units
Direct (Scope 1) GHG Emissions	N/A	Tonnes CO2e
Energy indirect (Scope 2) GHG Emissions	N/A	Tonnes CO2e
Emissions of ozone-depleting substances (ODS)	For SFI, Freon R22 - 60kg (older vessel); Freon R-404A - 80kg (newer vessel) For Tasli, Freon R22 - Est. 150 kg/ year; For CSC, Freon22, est.120kg (older vessels); Freon404A, 100kg (newer vessels)	Tonnes

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable

Air pollutants

Disclosure	Quantity	Units
NOx	For Chelsea Providence, compliant using VLSFO Very Low Sulfur Fuel Oil	Kg

Sox	ADO - Est 64	Kg
Persistent organic pollutants (POPs)	N/A	Kg
Volatile organic compounds (VOCs)	N/A	Kg
Hazardous air pollutants (HAPs)	N/A	Kg
Particulate matter (PM)	N/A	Kg

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable

Solid and Hazardous Wastes

Solid Waste

Disclosure	Quantity	Units
Total solid waste generated	N/A	kg
Reusable	N/A	kg
Recyclable	N/A	kg
Composted	N/A	kg
Incinerated	N/A	kg
Residuals/Landfilled	For CSC, estimated 5kg/voyage	kg

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable

What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable

Hazardous Waste

Disclosure	Quantity	Units
Total weight of hazardous waste generated	N/A	kg
Total weight of hazardous waste transported	N/A	kg

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable

Effluents

Disclosure	Quantity	Units
Total volume of water discharges	For Tasli, 50 Metric tons; For SFI, 100 cubic meters; For CSC, est 120 cubic meters, some vessels have sewage holding tanks (IACS-classed)	
Percent of wastewater recycled	N/A	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
	n/a	

Environmental compliance

Non-compliance with Environmental Laws and Regulations

Disclosure	Quantity	Units
Total amount of monetary fines for non-compliance with environmental laws and/or regulations	None	₱
No. of non-monetary sanctions for non-compliance with environmental laws and/or regulations	None	#
No. of cases resolved through dispute resolution mechanism	None	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable

Employee Management

Employee Hiring and Benefits

Employee data

Disclosure	Quantity	Units
Total number of employees ¹⁸	2132	
a. Number of female employees	513	#
b. Number of male employees	1618	#
Attrition rate ¹⁹	9	rate
Ratio of lowest paid employee against minimum wage	n/a	Ratio

Employee benefits

List of Benefits	Y/N	% of female employees who availed for the year	% of male employees who availed for the year
SSS	Y	11	38
PhilHealth	Y*	7	5
Pag-ibig	Y*	6	10
Parental leaves	Y*	1	1
Vacation leaves	Y	100.00	100.00
Sick leaves	Y	29	31
Medical benefits (aside from PhilHealth))	Y*	48	60
Housing assistance (aside from Pag-Ibig	Y	0.00	0.00
Retirement fund (aside from SSS)	Y	0.00	1.26
Further education support	Y	0	0
Company stock options	Y	65	65

Telecommuting	Y	58	45
Flexible-working Hours	Y	84	88
(Others)			

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
<i>Employee benefits are significant and a key to attract and retain talents, it enables the organization to provide a positive work environment. It creates a culture of productive workforce.</i>	Shareholders Employees Government Customers Suppliers	<i>Employee benefits policies and guidelines are reviewed regularly and aligned according to the needs of the people.</i>
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable

Employee Training and Development

Disclosure	Quantity	Units
Total training hours provided to employees		
a. Female employees	4477	hours
b. Male employees	14675	hours
Average training hours provided to employees		
a. Female employees	12	hours/employee
b. Male employees	16	hours/employee
What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Trainings conducted in compliance to DOLE and to improve employee productivity	Shareholders Employees Government Customers	As the organization began consolidating services to its subsidiaries, one of the key training needed is for backend support using SAP and various

	Suppliers	<p>business applications modules to adjust to the new normal.</p> <p>Occupational Safety Training as a requirement of DOLE was implemented last year and is being continued currently, this will be an ongoing basic training for all employees.</p> <p>For functional training for the enhancement of knowledge and application, particularly for shipping, this has great impact on the day to day operations of vessels. Impact is on operations and back end support.</p> <p>The Company conducts internal training and its impact is continuously evaluated particularly for functional training.</p> <p>The Company conducts yearly competency-based learning per organizational level. This training is also evaluated for improvement and to know additional training needed.</p>
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
The risk of employees who underwent training but for one reason or another had to leave the company.	<p>Shareholders</p> <p>Employees</p> <p>Government</p> <p>Customers</p> <p>Suppliers</p>	The Company requires echo training and coaching of staff or colleagues and apart from the reciprocal agreement where the employee will have to stay and fulfil the reciprocal agreement term or its monetary equivalent.
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
<p>Improved employee performance through training gives higher chances of achievement of company goals, profitability and sustainability.</p> <p>The satisfaction and morale of employees will also improve as training which is an investment of the company for the employee/s shows that they are being valued.</p>	<p>Shareholders</p> <p>Employees</p> <p>Government</p> <p>Customers</p> <p>Suppliers</p>	Training targets the weaknesses of employees. It will then eventually increase productivity and adherence to quality standards.

Labor-Management Relations

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Collective bargaining can help build trust and mutual respect between employers, workers and their organizations, and contribute to stable and productive labour relations.	Shareholders Employees	Townhalls and employee engagements
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
Company may endure higher labor cost with demand of benefits and may decrease labor control	Shareholders Employees	The Company maintains its open communication with the employees with different mediums, such as Advisories, quarterly Townhalls, etc., to update the employees of the Company's standing in attaining its goals.
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
The yearly agreements with the employees can help in improving productivity levels.	Shareholders Employees	Transparent communication with the employees encourages support and cooperation to be able to attain certain targets for the benefit of everyone.

Disclosure	Quantity	Units
% of employees covered with Collective Bargaining Agreements	20	%
Number of consultations conducted with employees concerning employee-related policies	2	#

Diversity and Equal Opportunity

Disclosure	Quantity	Units
% of female workers in the workforce	31	%
% of male workers in the workforce	69	%

Number of employees from indigenous communities and/or vulnerable sector*	8 (solo parent)	#
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*Vulnerable sector includes, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E).

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
	Employees	The company supports the law about Solo Parent and complies with its regulatory requirement

Workplace Conditions, Labor Standards, and Human Rights

Occupational Health and Safety

Disclosure	Quantity	Units
Safe Man-Hours	1,944,456 (tankers)	Man-hours
No. of work-related injuries	1* (for Tankers)	#
No. of work-related fatalities	0	#
No. of work related ill-health	0	#
No. of safety drills	1*(for Tankers)	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Health & Physical Impact Business Impact	Employees Customers Management	Management is involved in safety & health programs and must participate in Safety meetings. Encourage employee to report incidents

		Regular HSE Meetings & OSHA Compliance) Enhance Safety & Health training
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
Possible DOLE/ OSHA fine & penalties Increased unnecessary costs to the organization	Employees Customers Management	Management to promote & support S&H program (regular walk around inspection) Implementation of hazard identification, Risk Assessment & JSA. Create a Safety & Health Program (DOLE
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
Structure improvement to the workplace and working environment Increased S&H knowledge & awareness Improve S&H processes, procedures and programs	Employees Customers Management	Management provides a safe workplace for all employees Management support of the training courses and evaluation of effectiveness Implement a Safety & Health Program

Disclosure	Quantity	Units
No. of legal actions or employee grievances involving forced or child labor	None	#

Do you have policies that explicitly disallows violations of labor laws and human rights (e.g. harassment, bullying) in the workplace?

Topic	Y/N	If Yes, cite reference in the company policy
Forced labor	Y	Chelsea Group Handbook and Code of Conduct
Child labor	Y	Chelsea Group Handbook and Code of Conduct
Human Rights	Y	Chelsea Group Handbook and Code of Conduct

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable

Supply Chain Management

Do you have a supplier accreditation policy? If yes, please attach the policy or link to the policy:

None. However, we have provided our suppliers with accreditation guidelines, forms and documentary requirements for submission.

Do you consider the following sustainability topics when accrediting suppliers?

Topic	Y/N	If Yes, cite reference in the company policy	
Environmental performance	N/A		
Forced labor	N/A		
Child labor	N/A		
Human Rights	N/A		
Bribery and corruption	N/A		

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable

Relationship with Community

Significant Impacts on Local Communities

Operations with significant (positive or negative) impacts on local communities (exclude CSR projects; this has to be business operations)	Location	Vulnerable groups (if applicable)*	Does the particular operation have impact on indigenous people (Y/N)?	Collective /individual rights that have been identified that are of particular concern for the community	Mitigating measures (if negative) or enhancement measures (if positive)
Disposal of Scraps in Warehouses	CSC	N/A	N	Environmental Conservation	Developing waste management plans, promoting clean and organized warehouse for efficient operations, and ensuring safety of employees.
Hiring of Female Crews in Ships (10% of manpower target for 2020)	All subsidiaries	N/A	N	Promoting Women's Rights, Gender Equality and creating new jobs for women in the society especially in the Maritime field.	One of the group's vessels already has an all-female crew, and the Company is looking into expanding this initiative to more ships.
Offering discounted fares, special promos, and group discounts	All subsidiaries	N/A	N	Access to affordable services	Engaging customers and potential customers to avail our services that are affordable compared to other competitors.
PWD, Senior Citizens, and Student Discounts	All subsidiaries	PWDs and Senior Citizens	N	Access to affordable services	Strengthening systems that keep track of PWDs, Seniors, and Students. Promoting good relationship and quality

					service leading to customer retention.
Cadetship Program	CSC	N/A	N	Employment opportunities for shipping crew	
Tourism Marketing	All subsidiaries, except Worklink	N/A	Y	Promoting local tourism to encourage locals and tourists in travelling Philippines' top destinations by sea.	

**Vulnerable sector includes children and youth, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E)*

For operations that are affecting IPs, indicate the total number of Free and Prior Informed Consent (FPIC) undergoing consultations and Certification Preconditions (CPs) secured and still operational and provide a copy or link to the certificates if available: _____

Certificates	Quantity	Units
FPIC process is still undergoing	Not applicable	#
CP secured	Not applicable	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Not applicable	Not applicable	Not applicable
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
Not applicable	Not applicable	Not applicable
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
Not applicable	Not applicable	Not applicable

Customer Management

Customer Satisfaction

Disclosure	Score	Did a third party conduct the customer satisfaction survey? (Y/N)
Customer satisfaction	N/A	For TASLI, all surveys were done in-house through email.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable

Health and Safety

Disclosure	Quantity	Units
No. of substantiated complaints on product or service health and safety*	For TASLI, zero complaints on health & safety in 2022.	
No. of complaints addressed	For TASLI, complaint for surcharge was received and replied to.	#

*Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
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<p>Changes in schedules and in budgeted expenses</p>	<p>Employees Customer Shareholders Community</p>	<p>The Company endeavors to continually improve its Safety Management System (SMS) by adopting new processes and procedures and other guidelines for best practices in accordance with International Shipping Standards.</p> <p>The Company is also enhancing its Ship modernization program.</p> <p>The Company also ensures that each ship is manned by only qualified, certificated and medically-fit seafarers in accordance with national and international requirements, the Company has developed procedures to ensure sufficiency of its resources in terms of personnel.</p> <p>Safety procedures, emergency procedures, planned maintenance system, training manual, job description, job safety analysis and garbage management have been clearly stipulated in the Company's established system.</p>
<p>What are the Risk/s Identified?</p>	<p>Which stakeholders are affected?</p>	<p>Management Approach</p>
<p>Possible customer dissatisfaction</p> <p>Possible damage to vessel, damage to property and accident continue to occur in our organization despite our identified corrective/preventive actions.</p>	<p>Employees Customer Shareholders Community</p>	<p>All employees of the Company are mandated to strictly adhere to its established system, specifically on its Safety and Environmental Protection Policy.</p> <p>The Company aims to provide a secure environment for all its employees, contractors and clients, thus Security Policy has been developed whereby all employees and contractors are expected to comply with the set of security measures and all requirements of the law. They shall take all necessary precautions to protect themselves, their colleagues, the ship, cargoes, passengers and the environment from all criminal or malicious acts.</p>

What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
Opportunity to improve our products and services	Employees Customer Shareholders Community	Crew Training Program

Marketing and labelling

Disclosure	Quantity	Units
No. of substantiated complaints on product or service health and safety*	Average of 12/month	#
No. of complaints addressed	All complaints are attended to	#

*Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable

Customer Privacy

Disclosure	Quantity	Units
No. of substantiated complaints on customer privacy*	None	#
No. of complaints addressed	None	#
No. of customers, users and account holders whose information is used for secondary purposes	None	#

*Substantiated complaints include complaints from customers that went through the organization's

formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Not applicable	Not applicable	Not applicable
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
Not applicable	Not applicable	Not applicable
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
Not applicable	Not applicable	Not applicable


Data Security

Disclosure	Quantity	Units
No. of data breaches, including leaks, thefts and losses of data	None	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable

Product or Service Contribution to UN SDGs

Key products and services and its contribution to sustainable development.

Key Products and Services	Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
<p>Tankering Services, Freight, Passenger Transport, Tugboat service & Logistics & Warehousing</p>		<p>Increased Carbon Imprint</p> <p>Harmful chemical waste to the environment</p> <p>Health & Safety risk for the crews and employees</p>	<p>Ship modernization program</p> <p>100% migration of servers and digital solutions to Cloud</p> <p>Optimized routes for tankers to lessen travel time decreasing carbon imprint.</p> <p>Health & Safety guidelines, seminars, PPEs, and hazard pay for crew and employees</p>


None/Not Applicable is not an acceptable answer. For holding companies, the services and products of its subsidiaries may be disclosed.


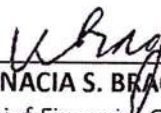

SIGNATURES

Pursuant to the requirements of Section 17 of the SRC and Section 141 of the Corporation Code, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in TAGUIG CITY on April 2023.

CHELSEA LOGISTICS AND INFRASTRUCTURE HOLDINGS CORP.

Pursuant to the requirement of the Securities Regulations Code, this Annual Report has been signed by the following persons in their capacities and on the dates indicated.

By: 

DENNIS A. UY Chairman of the Board	14 APR Date	 CHRYSS ALFONSUS V. DAMUY President & CEO	14 APR Date
 IGNACIA S. BRAGA IV Chief Financial Officer	14 APR Date	 MA. HENEDINA V. SAN JUAN Corporate Secretary	14 APR Date

14 APR 2023

SUBSCRIBED AND SWORN to before me this 14 APRIL 2023 at TAGUIG CITY, affiants exhibiting to me their identifications, as follows:

NAME	ID NO.	DATE OF ISSUE	PLACE OF ISSUE
DENNIS A. UY	Passport P6685214B	21 April 2021	DFA Manila
CHRYSS ALFONSUS V. DAMUY	Passport P0724359B	19 February 2019	DFA Manila
IGNACIA S. BRAGA IV	Passport P6427499B	04 March 2021	DFA NCR East
MA. HENEDINA V. SAN JUAN	Passport P1579797B	03 May 2019	DFA NCR East

Doc. No. 270
 Page No. 12
 Book No. 1711
 Series of 2023.


ATTY. IRISH S. PRECION
 Notary Public for Taguig City
 Appointment No. 23 (2023-2024)
 Roll No. 69281/05.31.17 / IBP No. 197085/01.07.22
 PTR No. A-5726883/01.03.23/Taguig City
 MCLE Compliance No. VII-0020815 valid until 04-14-25
 Ground Floor FTI Old Admin. Bldg. FTI Complex, Taguig City
 preclonirishs@gmail.com / 09988534549

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to BIR.CLC

Hi CHELSEA LOGISTICS AND INFRASTRUCTURE HOLDINGS CORP.,

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- EAFS009393167ITRTY122022.pdf
- EAFS009393167AFSTY122022.pdf
- EAFS009393167TCRTY122022-01.pdf
- EAFS009393167OTHTY122022.pdf

Invalid file

- <None>

Transaction Code: **AFS-0-222Y4QZY023YQVN2MPMV1SRQN08KEGJ9G7**

Submission Date/Time: **Apr 17, 2023 09:50 AM**

Company TIN: **009-393-167**

Please be reminded that you accepted the terms and conditions for the use of this portal and expressly agree, warrant and certify that:

- The submitted forms, documents and attachments are complete, truthful and correct based on the personal knowledge and the same are from authentic records;
- The submission is without prejudice to the right of the BIR to require additional document, if any, for completion and verification purposes;
- The hard copies of the documents submitted through this facility shall be submitted when required by the BIR in the event of audit/investigation and/or for any other legal purpose.

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**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS**

The management of Chelsea Logistics and Infrastructure Holdings Corp is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the years ended December 31, 2022, 2021 and 2020 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative to do so.

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

The Board of Directors reviews and approves the 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 financial statements of the Company 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

SUBSCRIBED AND SWORN to before me this 24 day of MAR 2023 2023 at Taguig City,
affiants exhibited to me their respective TIN.

Doc. No. 255
Page No. 52
Book No. 33
Series of 2023

MAR 24 2023 **MAKATI CITY**

ATTY. ROMEO M. MONFORT
Notary Public City of Makati
Until December 31, 2023
Appointment No. M-172 (2022-2023)
PTR No. 9563251 Jan. 3, 2023 Makati City
IBP No. 176089 /2/14/2022 Pasig
MCLE No. VI-0023417 Apr. 14, 2019
Extended Until Apr. 14, 2023, Roll No. 27932
126 Amorsolo Street, Legaspi Village



P&A
Grant Thornton

FOR SEC FILING

Financial Statements and
Independent Auditors' Report

Chelsea Logistics and Infrastructure Holdings Corp.

December 31, 2022, 2021 and 2020



Report of Independent Auditors

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.
(A Subsidiary of Udenna Corporation)

Stella Hizon Reyes Road
Bo. Pampanga, Davao City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Chelsea Logistics and Infrastructure Holdings Corp. (the Company), which comprise the statements of financial position as at December 31, 2022 and 2021, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years ended December 31, 2022, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022 and 2021, and its financial performance and its cash flows for each of the three years ended December 31, 2022 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 Financial Statements* section of our report. We are independent of the Company 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 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 financial statements, which describes management's assessment of the continuing impact on the Company's financial statements of the business disruptions brought by the COVID-19 pandemic, the impact of the Russia-Ukraine conflict, and the increasing liquidity risk arising from the Company's high debt-leveraged status. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Company's Securities and Exchange Commission (SEC) Form 17-A, which we obtained prior to the date of the auditors' report, and the Company'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 years ended December 31, 2022 and 2021, but does not include the financial statements and our auditors' report thereon.

Our opinion on the 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 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 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 Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 Company'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 Company'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 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information for the year ended December 31, 2022 required by the Bureau of Internal Revenue as disclosed in Note 23 to the financial statements is presented for purposes of additional analysis and is not a required part of the basic financial statements prepared in accordance with PFRS. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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. 9566640, January 3, 2023, Makati City
SEC Group A Accreditation
Partner - No. 90741-SEC (until financial period 2025)
Firm - No. 0002 (until Dec. 31, 2024)
BIR AN 08-002511-019-2020 (until Dec. 21, 2023)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

March 24, 2023

CHELSEA LOGISTICS AND INFRASTRUCTURE HOLDINGS CORP.
(A Subsidiary of Udenna Corporation)
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021
(Amounts in Philippine Pesos)

<u>A S S E T S</u>	<u>Notes</u>	<u>2022</u>	<u>2021</u>
CURRENT ASSETS			
Cash	2	P 3,261,170	P 7,832,788
Trade and other receivables	4	885,178,227	641,060,537
Advances to related parties	14	8,817,000,212	9,031,874,242
Other current assets	5	<u>277,033,216</u>	<u>284,647,528</u>
Total Current Assets		<u>9,982,472,825</u>	<u>9,965,415,095</u>
NON-CURRENT ASSETS			
Property and equipment - net	6	99,587,960	151,597,099
Investment properties	7	1,270,907,962	1,199,699,962
Investments in subsidiaries and an associate - net	8	14,213,096,126	15,196,300,691
Deferred tax assets - net	13	268,329,485	15,251,352
Other non-current assets - net	5	<u>78,243,995</u>	<u>59,603,738</u>
Total Non-current Assets		<u>15,930,165,528</u>	<u>16,622,452,842</u>
TOTAL ASSETS		<u>P 25,912,638,353</u>	<u>P 26,587,867,937</u>
<u>LIABILITIES AND EQUITY</u>			
CURRENT LIABILITIES			
Interest-bearing loans and borrowings	10	P 1,128,422,362	P 1,072,371,806
Accounts and other payables	9	2,453,074,197	2,242,316,058
Advances from related parties	14	<u>9,503,056,635</u>	<u>9,619,540,171</u>
Total Current Liabilities		<u>13,084,553,194</u>	<u>12,934,228,035</u>
NON-CURRENT LIABILITIES			
Interest-bearing loans and borrowings	10	805,091,276	987,999,993
Post-employment benefit obligation	12	<u>28,394,316</u>	<u>30,218,439</u>
Total Non-current Liabilities		<u>833,485,592</u>	<u>1,018,218,432</u>
Total Liabilities		<u>13,918,038,786</u>	<u>13,952,446,467</u>
EQUITY			
Capital stock	15	1,916,227,615	1,821,977,615
Additional paid-in capital	15	10,709,745,157	9,998,370,157
Deposits on future stock subscriptions	15	-	720,425,000
Share options outstanding	15	12,608,283	6,197,941
Revaluation reserves		3,295,311	(1,508,458)
Retained earnings (Deficit)		<u>(647,276,799)</u>	<u>89,959,215</u>
Total Equity		<u>11,994,599,567</u>	<u>12,635,421,470</u>
TOTAL LIABILITIES AND EQUITY		<u>P 25,912,638,353</u>	<u>P 26,587,867,937</u>

See Notes to Financial Statements.

CHELSEA LOGISTICS AND INFRASTRUCTURE HOLDINGS CORP.
(A Subsidiary of Udenna Corporation)
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020
(Amounts in Philippine Pesos)

	Notes	<u>2022</u>	<u>2021</u>	<u>2020</u>
REVENUES				
Management fee	14	P 373,544,871	P 253,921,310	P 238,623,201
Dividend income		-	-	40,020,000
		<u>373,544,871</u>	<u>253,921,310</u>	<u>278,643,201</u>
OPERATING EXPENSES				
Outside services		103,027,949	173,447,506	60,226,193
Salaries and employee benefits	12	80,268,547	84,864,758	103,158,039
Depreciation and amortization	5, 6	33,327,027	54,226,897	71,142,494
Fines and penalties		10,229,259	7,895,227	7,885,564
Taxes and licenses		6,340,738	15,293,762	10,815,702
Professional fees		5,320,813	1,899,793	10,573,642
Dues and subscriptions		4,578,801	4,235,162	8,684,936
Transportation and travel		1,964,674	1,118,473	2,315,750
Directors' fees		1,300,333	400,000	1,156,333
Advertising and promotion		1,150,947	568,532	349,723
Rental	10	561,103	174,565	306,022
Supplies		280,088	22,385	629,905
Insurance		267,835	17,338	1,015,004
Donations		30,664	-	-
Miscellaneous		4,397,341	12,786,471	13,955,989
		<u>253,046,119</u>	<u>356,950,869</u>	<u>292,215,296</u>
OPERATING INCOME (LOSS)		<u>120,498,752</u>	<u>(103,029,559)</u>	<u>(13,572,095)</u>
OTHER INCOME (CHARGES)				
Impairment loss on investment in a subsidiary	8	(983,204,565)	-	-
Finance costs	11	(171,575,324)	(169,820,292)	(184,765,854)
Finance income	14	37,204,945	11,466	53,329
Other income	11	8,226,014	4,517,885	166,736
Gain on redemption of preferred shares	8	-	355,491,306	-
		<u>(1,109,348,930)</u>	<u>190,200,365</u>	<u>(184,545,789)</u>
PROFIT (LOSS) BEFORE TAX		<u>(988,850,178)</u>	<u>87,170,806</u>	<u>(198,117,884)</u>
TAX INCOME (EXPENSE)	13	<u>251,614,164</u>	<u>1,570,075</u>	<u>(145,940,902)</u>
NET PROFIT (LOSS)		<u>(737,236,014)</u>	<u>88,740,881</u>	<u>(344,058,786)</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Remeasurement of post-employment benefit obligation	12	6,405,025	4,218,875	(1,953,109)
Tax income (expense)	13	(1,601,256)	(1,366,226)	585,933
		<u>4,803,769</u>	<u>2,852,649</u>	<u>(1,367,175)</u>
TOTAL COMPREHENSIVE INCOME (LOSS)		<u>(P 732,432,245)</u>	<u>P 91,593,530</u>	<u>(P 345,425,961)</u>
Earnings (loss) per share –				
Basic and diluted	16	<u>(P 0.390)</u>	<u>P 0.049</u>	<u>(P 0.189)</u>

See Notes to Financial Statements.

CHELSEA LOGISTICS AND INFRASTRUCTURE HOLDINGS CORP.
(A Subsidiary of Udenna Corporation)
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020
(Amounts in Philippine Pesos)

	Notes	Capital Stock	Additional Paid-in Capital	Deposits on Future Stock Subscriptions	Share Options Outstanding	Revaluation Reserves	Retained Earnings (Deficit)	Total
Balance at January 1, 2022		P 1,821,977,615	P 9,998,370,157	P 720,425,000	P 6,197,941	(P 1,508,458)	P 89,959,215	P 12,635,421,470
Subscriptions of common shares during the year	15	93,750,000	211,875,000	(305,625,000)	-	-	-	-
Issuance of preferred shares during the year	15	500,000	499,500,000	(414,800,000)	-	-	-	85,200,000
Share based compensation	12, 15	-	-	-	6,410,342	-	-	6,410,342
Total comprehensive income (loss) for the year								
Net loss		-	-	-	-	-	(737,236,014)	(737,236,014)
Other comprehensive income		-	-	-	-	4,803,769	-	4,803,769
Balance at December 31, 2022		P 1,916,227,615	P 10,709,745,157	P -	P 12,608,283	P 3,295,311	(P 647,276,799)	P 11,994,599,567
Balance at January 1, 2021		P 1,821,977,615	P 9,998,370,157	P 662,596,200	P 4,826,196	(P 4,361,107)	P 1,218,334	P 12,484,627,395
Deposits received on future stock subscriptions	15	-	-	57,828,800	-	-	-	57,828,800
Share based compensation	12, 15	-	-	-	1,371,745	-	-	1,371,745
Total comprehensive income for the year								
Net income		-	-	-	-	-	88,740,881	88,740,881
Other comprehensive income		-	-	-	-	2,852,649	-	2,852,649
Balance at December 31, 2021		P 1,821,977,615	P 9,998,370,157	P 720,425,000	P 6,197,941	(P 1,508,458)	P 89,959,215	P 12,635,421,470
Balance at January 1, 2020		P 1,821,977,615	P 9,998,370,157	P -	P -	(P 2,993,931)	P 345,277,120	P 12,162,630,961
Deposits received on future stock subscriptions		-	-	662,596,200	-	-	-	662,596,200
Share based compensation	12	-	-	-	4,826,196	-	-	4,826,196
Total comprehensive loss for the year								
Net loss		-	-	-	-	-	(344,058,786)	(344,058,786)
Other comprehensive loss		-	-	-	-	(1,367,175)	-	(1,367,175)
Balance at December 31, 2020		P 1,821,977,615	P 9,998,370,157	P 662,596,200	P 4,826,196	(P 4,361,106)	P 1,218,334	P 12,484,627,396

See Notes to Financial Statements.

CHELSEA LOGISTICS AND INFRASTRUCTURE HOLDINGS CORP.
(A Subsidiary of Udenna Corporation)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020
(Amounts in Philippine Pesos)

	Notes	2022	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit (loss) before tax		(P 988,850,178)	P 87,170,806	(P 198,117,884)
Adjustments for:				
Impairment loss on investment in a subsidiary	8	983,204,565	-	-
Interest expense	10, 11, 12	153,592,009	154,583,465	182,978,644
Depreciation and amortization	5, 6	33,327,027	54,226,897	71,142,494
Unrealized foreign currency exchange loss	10	13,097,700	10,059,000	-
Share option benefit expense	12, 15	6,410,342	1,371,745	4,826,196
Gain on debt modification	11	(3,677,615)	-	-
Gain on sale of property and equipment	6, 11	(1,059,131)	-	-
Interest income	2	(4,945)	(11,466)	(53,329)
Gain on redemption of preferred shares	8	-	(355,491,306)	-
Operating profit (loss) before working capital changes		196,039,774	(48,090,859)	60,776,121
Increase in trade receivables		(244,117,690)	(151,631,818)	(138,281,376)
Decrease (increase) in advances to related parties		214,874,030	197,536,578	(316,503,490)
Decrease (increase) in other current assets		2,027,217	(75,322,869)	(27,555,817)
Decrease (increase) in other non-current assets		(20,612,016)	-	310,894,789
Increase (decrease) in accounts and other payables		71,910,614	(120,706,668)	293,749,040
Increase in post-employment benefit obligation		4,580,902	4,143,881	8,543,579
Cash generated from (used in) operations		224,702,831	(194,071,753)	191,622,845
Interest received		4,945	11,466	53,329
Cash paid for final taxes		(3,220)	(1,871)	(10,337)
Net Cash From (Used in) Operating Activities		224,704,556	(194,062,159)	191,665,837
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from disposal of property and equipment	6	2,849,322	-	-
Acquisition of investment properties	7	-	-	(305,334,125)
Acquisitions of property and equipment	6	-	(46,875)	(1,096,282)
Acquisitions and additions to investments in subsidiaries and an associate	8	-	-	(219,609)
Net Cash From (Used in) Investing Activities		2,849,322	(46,875)	(306,650,016)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from (repayments) of advances obtained from related parties	14	(116,483,536)	75,926,111	(521,832,964)
Repayments of interest-bearing loans and borrowings	10	(114,889,475)	(58,338,426)	(399,121,378)
Interest paid		(85,952,485)	(85,905,297)	(156,024,581)
Proceeds from deposits on future stock subscriptions	15	85,200,000	57,828,800	662,596,200
Proceeds from interest-bearing loans and borrowings	10	-	211,650,000	521,579,688
Net Cash From (Used in) Financing Activities		(232,125,496)	201,161,188	107,196,965
NET INCREASE (DECREASE) IN CASH		(4,571,618)	7,052,154	(7,787,214)
CASH AT BEGINNING OF YEAR		7,832,788	780,634	8,567,848
CASH AT END OF YEAR		P 3,261,170	P 7,832,788	P 780,634

See Notes to Financial Statements.

CHELSEA LOGISTICS AND INFRASTRUCTURE HOLDINGS CORP.
(A Subsidiary of Udenna Corporation)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022, 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 April 4, 2022, the SEC approved the Company's application for increase in authorized capital stock. Relative to this, the previously recognized Deposit on Future Stock Subscription was reclassified to Capital Stock and Additional Paid-in Capital (APIC). The approval resulted in the increase in Udenna Corporation (Udenna)'s effective ownership interest in the Company from 70% in 2021 to 75% in 2022.

The Company is a subsidiary of 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. Pampang, Davao City.

1.2 Subsidiaries, Associate and their Operations

As of December 31, 2022 and 2021, the Company holds ownership interests in the following subsidiaries and associate:

Company Name	Explanatory Notes	Percentage of Ownership	
		2022	2021
Subsidiaries through direct interest:			
Chelsea Shipping Corp. (CSC)	(a)	100%	100%
Trans-Asia Shipping Lines, Incorporated (Trans-Asia)	(b)	100%	100%
Udena 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%	100%

Company Name	Explanatory Notes	Percentage of Ownership	
		2022	2021
Associate –			
Dito Holdings Corporation (DHC)	(y)	10.54%	10.54%

¹Wholly owned subsidiary of CSC

²Wholly owned subsidiary of FTC

³Wholly owned subsidiary of Trans-Asia

⁴Wholly owned subsidiary of Starlite

⁵60.29% 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.
- (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.
- (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, 2022, 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, 2022.
- (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, 2022, 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.
- (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, 2022.

1.3 *Impact of Russia - Ukraine Conflict and Continuing Impact of COVID-19 Pandemic on the Company's Business*

The COVID-19 pandemic and the containment measures implemented by the government disrupted domestic businesses and trade. Although the spread of the virus has abated, and most of health and safety restrictions have been relaxed, and businesses have re-opened as of the end of 2022, the threat of new variants of the virus remain.

In early 2022, the escalating geopolitical tensions in Europe caused an unprecedented increase in fuel prices that hit oil-exporting developing countries like the Philippines.

The combined continuing effects of COVID-19 outbreak and the rising fuel prices hampered the anticipated business recovery of the Company during the year. In response to these matters, the Company has taken the following actions:

- Reduced non-essential capital expenditure and deferred or cancelled discretionary spend;
- Suspended non-urgent recruitment;
- Divested certain investments and disposed underperforming and non-performing assets;
- Negotiated for longer payment terms with business partners, creditors and suppliers; and,
- Conducted a Liability Management Exercise (LME) with bankers and other financial institutions for the refinancing or restructuring of existing debt, or deferring payment 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];

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

1.4 Approval of Financial Statements

The financial statements of the Company as of and for the year ended December 31, 2022 (including the comparative financial statements as of December 31, 2021 and for the years ended December 31, 2021 and 2020) were authorized for issue by the Company's Board of Directors (BOD) on March 24, 2023.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of Preparation of Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

The financial statements of the Company 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 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 Financial Statements

The financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*. The Company all items of income, expenses and other comprehensive income (loss) in a single statement of comprehensive income.

The Company presents a third 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 statement of financial position are not required to be disclosed.

(c) *Functional and Presentation Currency*

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

2.2 Adoption of Amended PFRS

(a) *Effective in 2022 that are Relevant to the Company*

The Company adopted for the first time the following amendments and annual improvements, which are mandatorily effective for annual periods beginning on or after January 1, 2022:

PFRS 3 (Amendments)	:	Business Combination – Reference to the Conceptual Framework
PAS 16 (Amendments)	:	Property, Plant and Equipment – Proceeds Before Intended Use
PAS 37 (Amendments)	:	Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract
Annual Improvements to PFRS (2018-2020 Cycle)		
PFRS 9 (Amendments)	:	Financial Instruments – Fees in the '10 percent' Test for Derecognition of Liabilities
PFRS 16 (Amendments)	:	Leases – Lease Incentives

Discussed below and in the succeeding page are the relevant information about these pronouncements.

- (i) PFRS 3 (Amendments), *Business Combination – Reference to the Conceptual Framework*. The amendments update an outdated reference to the Conceptual Framework in PFRS 3 without significantly changing the requirements in the standard. The amendments had no significant impact on the Company's financial statements.

- (ii) PAS 16 (Amendments), *Property, Plant and Equipment – Proceeds Before Intended Use*. The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss. The application of these amendments had no significant impact on the Company's financial statements as there were no sales of such items produced by property and equipment made before being available for use on or after the beginning of the earliest period presented.
- (iii) PAS 37 (Amendments), *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract*. The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services. Costs that relate directly to a contract include both incremental costs of fulfilling that contract (e.g., direct labor and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g., the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). The amendments resulted in a revision in the Company's policy to include both incremental costs and an allocation of other costs when determining whether a contract was onerous.

The amendments apply prospectively to contracts existing at the date when the amendments are first applied. Management assessed that there is no significant impact on the Company's financial statements as a result of the change since none of the existing contracts as of January 1, 2022 would be identified as onerous after applying the amendments.

- (iv) Annual Improvements to PFRS 2018-2020 Cycle. Among the improvements, the following amendments which do not have significant impact and which are effective from January 1, 2022, are relevant to the Company's financial statements:
- PFRS 9 (Amendments), *Financial Instruments – Fees in the '10 percent' Test for Derecognition of Liabilities*. The amendments clarify the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.
 - Illustrative Examples Accompanying PFRS 16, *Leases – Lease Incentives*. The amendments remove potential for confusion regarding lease incentives by deleting from Illustrative Example 13 the reimbursement relating to leasehold improvements as it had not been explained clearly enough as to whether the reimbursement would meet the definition of a lease incentive in accordance with PFRS 16.

(b) *Effective Subsequent to 2022 but not Adopted Early*

Among the improvements to PFRS 2018-2020 Cycle, the following amendments, which are effective from January 1, 2022 are not relevant to the Company:

- (i) PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards – Subsidiary as a First-time Adopter*
- (ii) PAS 41, *Agriculture – Taxation in Fair Value Measurements*

(c) *Effective Subsequent to 2022 but not Adopted Early*

There are amendments to existing standards effective for annual periods subsequent to 2022, which are adopted by the FRSC. The Company will adopt the following relevant pronouncements in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have a significant impact on the Company's financial statements:

- (i) PAS 1 (Amendments), *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current* (effective from January 1, 2023)
- (ii) PAS 1 (Amendments) and PFRS Practice Statement 2, *Presentation of Financial Statements – Disclosures of Accounting Policies* (effective from January 1, 2023)
- (iii) PAS 8 (Amendments), *Accounting Policies, Changes in Accounting Estimates and Errors – 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) 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)

2.3 Current versus Non-current classification

The Company presents assets and liabilities in the statement of financial position based on current or non-current classification. An asset is current when it is:

- expected to be realized or intended to be sold or consumed in normal operating cycle;
- held primarily for the purpose of trading;
- expected to be realized within 12 months after the reporting period; or,
- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within 12 months after the reporting period; or,
- There is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

The Company classifies all other liabilities as non-current.

Deferred income tax assets and liabilities are classified as non-current assets and liabilities.

2.4 Separate Financial Statements and Investments in Subsidiaries and Associates

These financial statements are prepared as the Company's separate financial statements. The Company also prepares consolidated financial statements as required under PFRS.

Subsidiaries are entities (including structured entities) over which the Company has control. The Company controls an entity when (i) it has power over the entity, (ii) it is exposed, or has rights to, variable returns from its involvement with the entity, and, (iii) it has the ability to affect those returns through its power over the entity.

The Company reassesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the three elements of controls indicated above.

Associates are entities over which the Company is able to exert significant influence but not control and which are neither subsidiaries nor interests in a joint arrangement.

The Company's investments in subsidiaries and associates are accounted for in these separate financial statements at cost, less any impairment loss (see Note 2.14).

The Company recognizes dividend income when the right to receive such payment is established.

2.5 Financial Instruments

Financial assets are recognized when the Company 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) Financial Assets

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.

(i) *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.

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

- the asset is held within the Company'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 (SPPI) 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 Company's financial assets at amortized cost are presented in the statement of financial position as Cash, Trade and Other Receivables (excluding Advances to officers and employees), Advances to Related Parties, and Refundable deposits and Restricted cash, presented as part of Other Non-current Assets account.

For purposes of cash flows reporting and presentation, cash include cash on hand and in banks. Cash in banks are unrestricted and readily available for use in the Company's operations, subject to insignificant risk of changes in value, and generally earn interest based on daily bank deposit rates. Total interest income from bank deposits is presented as Interest income under Finance Income account in the statement of comprehensive income.

The Company may irrevocably elect at initial recognition to classify a financial asset that meets the amortized cost criteria above as 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 Company 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 statement of comprehensive income as part of Finance Income.

The Company can only reclassify financial assets if the objective of its business model for managing those financial assets changes. Accordingly, the Company 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 Company's business model will be effected only at the beginning of the next reporting period following the change in the business model.

(ii) *Impairment of Financial Assets*

At the end of the reporting period, the Company assesses and recognized 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 Company 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 costs. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial assets. The Company 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 Company also assesses impairment of trade and other receivables on a collective basis as they possess shared credit risk characteristics, and have been grouped based on the days past due.

For advances to related parties which all are repayable on demand, the ECLs are recognized in two stages. If the credit risk on a financial asset has not increased significantly since initial recognition, the Company measures and provides for credit losses that are expected to result from default events that are possible within the next 12 months (12-month ECL). When there has been a significant increase in credit risk on a financial asset, a loss allowance is required for credit losses expected over the remaining life of exposure, irrespective of the timing of the default (lifetime ECL). Accordingly, ECLs are based on the assumption that repayment of the advances or loans is demanded at the reporting date taking into consideration the historical defaults of the related parties. Management considers if the related party has sufficient accessible highly liquid assets in order to repay the loan if demanded at the reporting date. If the Company 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, the Company 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.

The Company recognizes an impairment loss in profit or loss for all financial instruments subjected to impairment assessment with a corresponding adjustment to their carrying amount through a loss allowance account.

(iii) 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 Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

(b) Financial Liabilities

Financial liabilities, which include interest-bearing loans and borrowings, accounts and other payables [except output value-added tax (VAT) and other tax-related liabilities], and advances from related parties, are recognized when the Company 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 are comprised of loans raised for support of the investing activities and working capital requirements of the Company and lease liabilities. Finance charges, with the exception to borrowing costs capitalized as part of any qualifying asset, are charged to profit or loss 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.

Accounts 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 derecognized from the statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration. The difference between 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.

2.6 Property and Equipment

All 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.

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

Transportation equipment	5 years
Office furniture and equipment	3 years

Leasehold improvements are amortized over the estimated useful lives of the assets of five to 10 years or the lease term, whichever is shorter.

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 2.14).

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.

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.

2.7 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.

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 2.14).

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.

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.

2.8 Other Assets

Other assets, which are generally considered as non-financial assets, pertain to other resources controlled by the Company as a result of past events. They are recognized in the financial statements when it is probable that the future economic benefits will flow to the Company 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.

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 2.14).

2.9 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 statement of financial position when the Company 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 financial instruments.

2.10 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 financial statements. Similarly, possible inflows of economic benefits to the Company that do not yet meet the recognition criteria of an asset are considered contingent assets; hence, are not recognized in the financial statements. On the other hand, any reimbursement that the Company 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.

2.11 Revenue and Expense Recognition

Revenue is recognized when the Company 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.

To determine whether to recognize revenue, the Company 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.

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 Company's performance as the Company performs;
- The Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; and,
- The Company's performance does not create an asset with an alternative use to the Company and the Company 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 Company also assesses its revenue agreements against the specific criteria below in order to determine if it is acting as principal or agent. The Company has concluded that it is acting as principal in all its revenue arrangements.

Revenues from management services are recognized over time as the services are provided because the customers receive and use the benefits simultaneously. The Company's customers are billed quarterly and payment is due within 30 to 60 days from date of billing.

Costs and expenses are recognized in profit or loss upon utilization of the service 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 2.16).

2.12 Leases – Company as Lessee

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

At lease commencement date, the Company recognizes a right-of-use asset and a lease liability on the 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 Company, 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).

The Company amortizes 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 assets or the end of the lease term. The Company also assesses the right-of-use assets for impairment when such indicators exist (see Note 2.14).

At the commencement date, the Company 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 Company'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 statement of financial position, right-of-use assets have been included under Property and Equipment account and lease liabilities have been included under Interest-bearing Loans and Borrowings account.

2.13 Foreign Currency Transactions and Translation

The accounting records of the Company are maintained in Philippine pesos. Foreign currency transactions during the year are translated into the functional currency at exchange rates which approximate those prevailing on transaction dates.

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 profit or loss section of the statement of comprehensive income.

2.14 Impairment of Non-financial Assets

The Company's property and equipment, investments in subsidiaries and an associate, investment properties, and 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 Company'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 and the carrying amount of the asset is adjusted to the recoverable amount resulting in the reversal of the impairment loss.

2.15 Employee Benefits

The Company 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 Company, 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 Company'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 recognized in the statement of financial position for a defined benefit plan is the present value of the defined benefit obligation 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 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 any changes in the net defined benefit liability or asset during the period as a result of contributions to the plan or benefit payments. Net interest is reported as part of Finance Costs or Finance Income account in the statement of comprehensive income.

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 Company pays fixed contributions into an independent entity. The Company 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) Share-based Employee Compensation

The Company 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 in the Equity section of the Company's 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).

(d) *Termination Benefits*

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company 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.

(e) *Profit-sharing and Bonus Plans*

The Company recognizes a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Company 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.

(f) *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 Accounts and Other Payables account in the statement of financial position.

(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 Accounts and Other Payables account in the statement of financial position at the undiscounted amount that the Company expects to pay as a result of the unused entitlement.

2.16 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.

2.17 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 Company 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 Company 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.

2.18 Related Party Transactions and Relationships

Related party transactions are transfers of resources, services or obligations between the Company 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 Company; (b) associates; and, (c) individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the Company and close members of the family of any such individual.

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 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.

2.19 Deposits on Future Stock Subscriptions

Deposits on future stock subscription 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. A company should 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 for future stock subscription will be reclassified to equity accounts when the company meets the foregoing criteria.

2.20 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 includes remeasurements of post-employment defined benefit plan, net of related income tax.

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

Retained earnings (Deficit) represent all current and prior year results of operations as reported in the profit or loss section of the statement of comprehensive income.

2.21 Earnings (Loss) Per Share

Basic earnings (loss) per share is computed by dividing net profit (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 earnings (loss) per share is computed by adjusting the weighted average number of ordinary shares outstanding to assume conversion of potential dilutive shares. Currently, the Company does not have potentially dilutive shares outstanding; hence, the diluted earnings (loss) per share is equal to the basic earnings (loss) per share.

2.22 Events After the End of the Reporting Period

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

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Company's financial statements in accordance with PFRS requires management to make judgments and estimates that affect the amounts reported in the 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 Company'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 financial statements:

(a) Determination of Lease Contracts with Renewal Options 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 terminated.

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

The Company assessed that the renewal period of the lease of office spaces and container yards should not be included in the lease term, as there is no reasonable certainty that such renewal option will be exercised.

The lease term is reassessed if an option is actually exercised or not exercised or the Company 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 Company.

(b) Determining Timing of Satisfaction of Performance Obligations

Management determines that revenue from management services is recognized over time. In making its judgement, the Company considers the timing of receipt and consumption of benefits provided by the Company to its customers. The Company provides the management services without the need of reperformance of other companies. This demonstrates that the customers simultaneously receive and consume the benefits of the Company's rendering of management services as it performs.

(c) Business Model Assessment

The Company's classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Company determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. Monitoring is part of the Company's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets. No such changes were required during the years presented.

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

Judgment is exercised in determining whether the Company already has significant influence or control over an entity. In assessing each interest over an entity, the Company 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 despite the dilution of effective ownership interest in DHC in 2020 (see Note 8), the Company 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 Investment Properties and Owner-Managed Properties

The Company determines whether a property qualifies as investment property. In making its judgment, the Company 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.

(f) Going Concern Assumption

The Company prepares financial statements on a going concern basis unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. When the management is aware of material uncertainties related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern, the Company shall disclose those uncertainties in the financial statements.

In assessing whether the going concern assumption is appropriate, management considers all available information about the future, which is at least, but is not limited to, 12 months from the end of the reporting period. The degree of consideration depends on the facts in each case. Management also considers a wide range of factors relating to current and expected profitability, debt repayment schedules, and potential sources of replacement. As more fully disclosed in Note 1.3, management concluded that the Company will continue as a going concern entity.

(g) Recognition of Provisions and Contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition of provisions and contingencies are discussed in Note 2.10 and relevant disclosures are presented in Note 17.

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 Company 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 Company'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) Estimating Allowance for ECL

The Company 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 and security deposits 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, 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) Estimating Useful Lives of Property and Equipment

The Company 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 assets.

The carrying amounts of property and equipment are analyzed in Note 6. Based on management's assessment as at December 31, 2022 and 2021, there is no change in the estimated useful lives of property and equipment during those years. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

(d) *Fair Value Measurement of Investment Properties*

The Company's investment properties is carried at cost at the end of the reporting period. The Company disclosed the related fair value of investment properties as at the end of reporting period in Note 20.4 as required by PFRS. The Company determines the fair value by reference to current prices for similar properties in the same location and condition.

(e) *Determining Realizable Amount of Deferred Tax Assets*

The Company 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. The carrying value of deferred tax assets as of December 31, 2022 and 2021 is disclosed in Note 13.

(f) *Impairment of Non-financial Assets*

The Company's policy on estimating the impairment of property and equipment, investment properties, investments in subsidiaries and associates, and other non-financial assets is discussed in Note 2.14. Though management believes that the assumptions used in the estimation of recoverable values reflected in the 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.

In 2022, the Company recognized impairment loss on investment in a subsidiary amounting to P983.2 million and is presented as Impairment losses on investment in subsidiaries under Other Income (Charges) account in the 2022 statement of comprehensive income (see Note 8). There was no similar transaction in 2021 and 2020.

(g) *Valuation of Post-employment Defined Benefit Obligation*

The determination of the Company'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 12.2.

(i) *Fair Value Measurement of Stock Options*

The Company 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 15.2, 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.

On October 28, 2022, the Company's BOD approved the change in the subscription price to P3.99 per share as stipulated in the amended Employee Stock Option Plan (the ESOP). This change was applied prospectively from the date of approval and resulted in an increase in share options expense totaling to P6.4 million during the year (see Note 15.2).

4. TRADE AND OTHER RECEIVABLES

This account is composed of the following:

	<u>Note</u>	<u>2022</u>	<u>2021</u>
Trade receivables	14.2, 14.3	P 881,534,333	P 634,656,216
Advances to officers and employees		1,052,270	658,408
Dividends receivable	14.4	-	4,375,000
Others		<u>2,591,624</u>	<u>1,370,913</u>
		<u>P 885,178,227</u>	<u>P 641,060,537</u>

All of the Company'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 management, all receivables were assessed to be collectible in full; hence, no provisions for expected credit losses were recognized.

Trade and other receivables are unsecured and do not bear any interest. All receivables, except for advances to officers and employees, are subject to credit risk exposure (see Note 18.2).

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

5. OTHER ASSETS

The breakdown of this account as of December 31 are as follows:

	<u>Note</u>	<u>2022</u>	<u>2021</u>
Current:			
Creditable withholding taxes		P 216,259,483	P 163,395,590
Deferred input VAT		51,551,950	45,037,455
Advances to suppliers		9,212,783	73,989,719
Input VAT		<u>9,000</u>	<u>2,224,764</u>
		<u>P 277,033,216</u>	<u>P 284,647,528</u>
Non-current:			
Deferred charges		P 59,953,521	P -
Software, net of amortization		13,111,285	15,083,044
Refundable deposits	10.4	4,544,077	43,885,582
Restricted cash	10.1	335,112	335,112
Others		<u>300,000</u>	<u>300,000</u>
		<u>P 78,243,995</u>	<u>P 59,603,738</u>

Deferred charges pertain to downpayments made to suppliers for various future projects that are under pre-development.

Refundable deposits arise from operating leases on certain office spaces (see Notes 10.4 and 18.2) and bidder's bond held by a local commercial bank in relation to the biddings made by the Company in various local construction projects.

Software refers to computer software licenses and software development costs, net of amortization. A reconciliation of the carrying amount of software at the beginning and end of 2022 and 2021 is shown below.

	<u>2022</u>	<u>2021</u>
Balance at beginning of year	P 15,083,044	P 17,059,352
Amortization during the year	(1,971,759)	(1,976,308)
Balance at end of year	<u>P 13,111,285</u>	<u>P 15,083,044</u>

Amortization is presented as part of Depreciation and amortization under Operating Expenses account in the statements of comprehensive income.

Restricted cash represents bank accounts that are reserved for debt service requirements in relation to certain loans of the Company (see Note 10.1).

6. PROPERTY AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization of property and equipment at the beginning and end of 2022 and 2021 are shown below.

	<u>Transportation Equipment</u>	<u>Office Furniture and Equipment</u>	<u>Leasehold Improvements</u>	<u>Right-of-Use Assets</u>	<u>Total</u>
December 31, 2022					
Cost	P 15,788,393	P 7,243,423	P 108,387,319	P 83,282,702	P 214,701,837
Accumulated depreciation	(14,742,232)	(7,190,157)	(36,271,641)	(56,909,847)	(115,113,877)
Net carrying amount	<u>P 1,046,161</u>	<u>P 53,266</u>	<u>P 72,115,678</u>	<u>P 26,372,855</u>	<u>P 99,587,960</u>
December 31, 2021					
Cost	P 18,296,427	P 8,099,746	P 108,387,319	P 139,087,757	P 273,871,249
Accumulated depreciation	(13,666,918)	(6,151,385)	(25,261,167)	(77,194,680)	(122,274,150)
Net carrying amount	<u>P 4,629,509</u>	<u>P 1,948,361</u>	<u>P 83,126,152</u>	<u>P 61,893,077</u>	<u>P 151,597,099</u>
January 1, 2021					
Cost	P 18,296,427	P 8,052,871	P 108,387,319	P 226,535,268	P 361,271,885
Accumulated depreciation	(10,007,632)	(3,861,787)	(14,479,683)	(63,536,336)	(91,885,438)
Net carrying amount	<u>P 8,288,795</u>	<u>P 4,191,084</u>	<u>P 93,907,636</u>	<u>P 162,998,932</u>	<u>P 269,386,447</u>

A reconciliation of the carrying amounts of property and equipment at the beginning and end of 2022 and 2021 is shown below.

	<u>Transportation Equipment</u>	<u>Office Furniture and Equipment</u>	<u>Leasehold Improvements</u>	<u>Right-of-Use Assets</u>	<u>Total</u>
Balance at January 1, 2022, net of accumulated depreciation and amortization	P 4,629,509	P 1,948,361	P 83,126,152	P 61,893,077	P 151,597,099
Lease termination	-	-	-	(18,863,680)	(18,863,680)
Disposals	(933,869)	(856,322)	-	-	(1,790,191)
Depreciation and amortization charges during the year	(2,649,479)	(1,038,773)	(11,010,474)	(16,656,542)	(31,355,268)
Balance at December 31, 2022, net of accumulated depreciation and amortization	<u>P 1,046,161</u>	<u>P 53,266</u>	<u>P 72,115,678</u>	<u>P 26,372,855</u>	<u>P 99,587,960</u>
Balance at January 1, 2021, net of accumulated depreciation and amortization	P 8,288,795	P 4,191,084	P 93,907,636	P 162,998,932	P 269,386,447
Additions	-	46,875	-	-	46,875
Lease termination	-	-	-	(65,585,634)	(65,585,634)
Depreciation and amortization charges during the year	(3,659,286)	(2,289,598)	(10,781,484)	(35,520,221)	(52,250,589)
Balance at December 31, 2021, net of accumulated depreciation and amortization	<u>P 4,629,509</u>	<u>P 1,948,361</u>	<u>P 83,126,152</u>	<u>P 61,893,077</u>	<u>P 151,597,099</u>

As of December 31, 2022 and 2021, transportation equipment with net carrying amount of P1.0 million and P4.6 million, respectively, were assigned to secure payment of the Company's mortgage loans (see Note 10.3).

Depreciation and amortization of property and equipment is presented as part of Depreciation and amortization under Operating Expenses account in the statements of comprehensive income.

In 2022, the Company sold certain transportation equipment with a net book value of P0.9 million. Gain on sale amounting to P1.1 million was recognized and presented as part of Other income under Other Income (Charges) account in the 2022 statement of comprehensive income (see Note 11.2).

The Company has pre-terminated certain lease contracts in 2022 and 2021, which resulted to the derecognition of related right-of-use assets amounting to P18.9 million and P65.6 million, respectively. Relative to this, the Company recognized gain on pretermination of lease amounting to P2.5 million and P4.5 million in 2022 and 2021, respectively, and is presented as part of Other Income in the statements of comprehensive income (see Note 11.2).

As of December 31, 2022 and 2021, the Company has no fully depreciated property and equipment that are still in use.

7. INVESTMENT PROPERTIES

In prior years, the Company acquired a parcel of land located at Brgy. Ligid-Tipas, Taguig City.

The movement of investment properties in 2022 and 2021 follows:

	<u>2022</u>	<u>2021</u>
Balance at beginning of year	P 1,199,699,962	P 1,199,699,962
Additions during the year	<u>71,208,000</u>	<u>-</u>
Balance at end of year	<u>P 1,270,907,962</u>	<u>P 1,199,699,962</u>

Other information about the fair value measurement and disclosures related to the investment properties are presented in Note 20.4.

In addition, the Company acquired an additional lot within the same area amounting to P71.2 million in 2022. The outstanding liability arising from this transaction is presented as part of Accounts and Other Payables in the 2022 statement of financial position (see Note 9).

The properties of the Company with a carrying amount of P1,270.9 million and P1,199.7 million as of December 31, 2022 and 2021, respectively, were used as a collateral to secure payment of the Company's term loan (see Note 10.1).

8. INVESTMENTS IN SUBSIDIARIES AND AN ASSOCIATE

The carrying values of the Company's investments in subsidiaries and an associate as of December 31 are as follows:

	<u>2022</u>	<u>2021</u>
Subsidiaries:		
UIBV	P 6,048,000,000	P 6,048,000,000
CSC	3,000,000,000	3,000,000,000
Starlite	1,940,972,290	1,940,972,290
KGLI-NM	1,230,658,050	1,230,658,050
WSI	665,625,000	665,625,000
SFFC	650,000,000	650,000,000
Trans-Asia	616,253,686	616,253,686
TSI	<u>3,125,000</u>	<u>3,125,000</u>
	14,154,634,026	14,154,634,026
Associate –		
DHC	<u>1,041,666,665</u>	<u>1,041,666,665</u>
	15,196,300,691	15,196,300,691
Allowance for impairment	(<u>983,204,565</u>)	<u>-</u>
	<u>P 14,213,096,126</u>	<u>P 15,196,300,691</u>

On November 24, 2016, the Company acquired all of the outstanding shares of 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. As of December 31, 2022 and 2021, the outstanding liability to PPPI arising from this transaction amounted to P500.0 million, which is presented as part of Non-trade payables under the Accounts and Other Payables account in the statements of financial position (see Note 9).

On March 27, 2017, the Company acquired all of the outstanding shares of UIBV from Udenna through a share-for-share swap, where the Company issued new common shares in favor of Udenna in exchange for shares of UIBV (see Note 15.1).

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 Subscription payables under Accounts and Other Payables in the statements of financial position (see Note 9). In 2020, Udenna CME, a related party with common ownership, subscribed to additional common shares in DHC, causing the dilution of the Company's effective ownership from 41.67% in 2019 to 10.54% in 2020. Management assessed that the Company still exercises significant influence over DHC; hence, is still recognized as an investment in associate. The Company now indirectly holds 6.32% interest in Dito through its 10.54% ownership in DHC.

On October 1, 2021, the Company acquired the Preferred B shares and common shares of KGLI-NM from its previous owner for a total consideration of P874.9 million. The acquisition resulted to increase in the effective voting rights of the Company from 90.07% in 2020 to 100.0% in 2021. The acquisition resulted to gain on redemption of P355.5 million and is presented as Gain on redemption of preferred shares under Other Income (Charges) account in the 2021 statement of comprehensive income.

On November 8, 2021, the Company subscribed to additional 100.0 million shares of Starlite, and these were paid by the Company by way of conversion of Advances from the subsidiary (see Note 14.1).

In 2022, the Company assessed that the recoverable amount of its investment in CSC was lower than its carrying value; hence, an impairment loss amounting to P983.2 million was recognized and is presented as Impairment loss on investment in a subsidiary under Other Income (Charges) account in the 2022 statement of comprehensive income. There was no similar transaction in 2021 and 2020.

9. ACCOUNTS AND OTHER PAYABLES

This account is composed of the following as of:

	Notes	<u>2022</u>	<u>2021</u>
Subscription payables	8	P 781,249,999	P 781,249,999
Accounts payables	7	720,259,065	672,101,611
Non-trade payables	8, 14.5	500,000,000	500,000,000
Accrued expenses	10	248,372,727	137,587,549
Deferred output VAT		111,215,447	78,964,648
Output VAT payable		11,026,070	4,887,658
Others		<u>80,950,889</u>	<u>67,524,593</u>
		<u>P 2,453,074,197</u>	<u>P 2,242,316,058</u>

Accrued expenses consist of unpaid interest on the Company's outstanding bank loans (see Note 10) and unpaid professional fees for services rendered to the Company.

10. INTEREST-BEARING LOANS AND BORROWINGS

The short-term and long-term interest-bearing loans and borrowings are broken down as follows:

	Note	<u>2022</u>	<u>2021</u>
Current:			
Bank loans	10.2	P 862,988,839	P 896,824,262
Term loans	10.1	248,112,328	135,787,005
Lease liabilities	10.4	17,220,905	38,735,821
Mortgage loans	10.3	<u>100,290</u>	<u>1,024,718</u>
		<u>1,128,422,362</u>	<u>1,072,371,806</u>
Non-current:			
Term loan	10.1	682,371,925	834,912,247
Bank loans	10.2	113,762,510	126,910,000
Lease liabilities	10.4	<u>8,956,841</u>	<u>26,177,746</u>
		<u>805,091,276</u>	<u>987,999,993</u>
		<u>P 1,933,513,638</u>	<u>P 2,060,371,799</u>

In 2022, the Company has negotiated with the banks for the refinancing, extension, or temporary relief of its loan obligations as part of the Company's LME (see Note 1.3). Relative to this, the Company was able to agree with banks restructuring or modification of terms of certain loans. For those that qualify as significant loan modification, the Company recognized a gain on debt modification amounting to P3.7 million, which is presented under Other Income (Charges) in the 2022 statement of comprehensive income (see Note 11.2). There was no similar transaction in 2021.

A reconciliation of the carrying amounts of interest-bearing loans and borrowings at the beginning and end of December 31, 2022, 2021 and 2020 is presented below.

	<u>Term loans</u>	<u>Bank loans</u>	<u>Mortgage loans</u>	<u>Lease Liabilities</u>	<u>Total</u>
Balance as of January 1, 2022	P 970,699,252	P 1,023,734,262	P 1,024,718	P 64,913,567	P 2,060,371,799
Cash flow from a financing activity –					
Repayments	(53,312,699)	(43,305,298)	(924,428)	(17,347,050)	(114,889,475)
Non-cash financing activities:					
Additions	-	-	-	-	-
Termination of lease	-	-	-	(21,388,771)	(21,388,771)
Gain on debt modification	-	(3,677,615)	-	-	(3,677,615)
Restatement of foreign currency denominated loans	<u>13,097,700</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,097,700</u>
	<u>13,097,700</u>	<u>(3,677,615)</u>	<u>-</u>	<u>(21,388,771)</u>	<u>(11,968,686)</u>
Balance at December 31, 2022	<u>P 930,484,253</u>	<u>P 976,751,349</u>	<u>P 100,290</u>	<u>P 26,177,746</u>	<u>P 1,933,513,638</u>
Balance as of January 1, 2021	P 791,951,609	P 1,002,344,900	P 2,592,954	P 163,474,323	P 1,960,363,786
Cash flows from financing activities:					
Additions	167,650,000	44,000,000	-	-	211,650,000
Repayments	<u>-</u>	<u>(22,610,638)</u>	<u>(1,568,236)</u>	<u>(34,159,552)</u>	<u>(58,338,426)</u>
	<u>167,650,000</u>	<u>21,389,362</u>	<u>(1,568,236)</u>	<u>(34,159,552)</u>	<u>153,311,574</u>
Non-cash financing activities:					
Termination of lease	-	-	-	(64,401,204)	(64,401,204)
Amortization of debt issuance costs	1,038,643	-	-	-	1,038,643
Restatement of foreign currency denominated loans	<u>10,059,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,059,000</u>
	<u>11,097,643</u>	<u>-</u>	<u>-</u>	<u>(64,401,204)</u>	<u>(53,303,561)</u>
Balance at December 31, 2021	<u>P 970,699,252</u>	<u>P 1,023,734,262</u>	<u>P 1,024,718</u>	<u>P 64,913,567</u>	<u>P 2,060,371,799</u>

Interest incurred on these loans is presented as part of Finance Costs under the Other Income (Charges) account in the statements of comprehensive income (see Note 11.1). The related unpaid interest as of December 31, 2022 and 2021 is presented as part of Accrued expenses under the Accounts and Other Payables account in the statements of financial position (see Note 9).

10.1 Term Loans

On August 27, 2019, the Company and WSI entered into a loan agreement with China Banking Corporation 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 10 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, 2022 and 2021, the Company has total drawdown amounting to P800.0 million from the term loan facility. The agreement requires the Company to maintain debt-to-equity ratio of not more than 3.00:1.00 and debt-service coverage ratio (DCSR) of not less than 1:25.

The investment properties of the Company with a carrying amount of P1,270.9 million and P1,199.7 million as of December 31, 2022 and 2021, respectively, was used as a collateral to secure payment of this loan (see Note 7). The loan agreement also requires the Company to maintain a reserve accounts for debt service requirements; such amounts are presented as part of Restricted cash under Other Non-current Assets account in the statements of financial position (see Note 5).

The Company have complied with the financial, affirmative and negative covenants for the past years, except that, in 2022 and 2021, the Company had lower than the stated DSCR. Prior to December 31, 2022, the Company already requested for the waiver of the financial covenant and management is confident that such will be approved based on preliminary discussions with the lender bank. The Company has not received any written notice, as of the date of the issuance of the 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 Company also continued to negotiate with banks to refinance or restructure its existing loan.

On May 2021, the Company entered into a loan facility with Philippine Business Bank 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 P190.7 million and 142.8 million as of December 31, 2022 and 2021, respectively (see Note 14.8).

10.2 Bank Loans

The Company obtained various unsecured bank loans with local banks and private institutional lenders primarily for working capital requirements. The loans bear annual interest rates ranging from 4.75% to 10.00% and are payable within 30 to 180 days. These loans do not include any financial covenants.

10.3 Mortgage Loans

Mortgage loans pertain to loans obtained by the Company to finance the acquisition of certain transportation equipment and bears effective interest rate of 8.50% in both 2022 and 2021. The Company's mortgage loans are payable up to 2022 and are secured by certain transportation equipment with a carrying amount of P1.0 million and P4.6 million as of December 31, 2022 and 2021, respectively (see Note 6). These loans do not include any financial covenants.

10.4 Lease Liabilities

The Company has leases for certain office spaces and container yards. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the statement of financial position as a right-of-use asset and a lease liability. The Company classifies its right-of-use assets as part of Property and Equipment in the statements of financial position (see Note 6).

Each lease generally imposes a restriction that, unless there is a contractual right for the Company to sublet the asset to another party, the right-of-use asset can only be used by the Company. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. The Company is prohibited from selling or pledging the underlying leased assets as security. For leases over office spaces, the Company must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease. Further, the Company must insure the leased assets and incur maintenance fees on such items in accordance with the lease contracts.

The Company's lease for certain office spaces and container yards has a term of five years and two years, and includes annual escalation rates of 5.0% and 7.0%, respectively. Such leases have renewal options which are subject to the mutual agreement of both the lessor and the lessee to be enforceable. Accordingly, the extension options was not considered reasonably certain to be exercised.

The Company 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, 2022 and 2021 is shown below:

		<u>Within 1 year</u>		<u>1 to less than 2 years</u>		<u>2 to less than 3 years</u>		<u>Total</u>
<u>December 31, 2022</u>								
Lease payments	P	18,935,536	P	9,543,510	P	-	P	28,479,046
Finance charges	(	<u>1,714,631</u>)	(	<u>586,669</u>)	(	-	(	<u>2,301,300</u>)
Net present value		<u>P 17,220,905</u>		<u>P 8,956,841</u>		<u>P -</u>		<u>P 26,177,746</u>
<u>December 31, 2021</u>								
Lease payments	P	42,866,926	P	18,935,536	P	9,543,510	P	71,345,972
Finance charges	(	<u>4,131,105</u>)	(	<u>1,714,631</u>)	(	<u>586,669</u>)	(	<u>6,432,405</u>)
Net present value		<u>P 38,735,821</u>		<u>P 17,220,905</u>		<u>P 8,956,841</u>		<u>P 64,913,567</u>

As of December 31, 2022 and 2021, the Company had not committed to any leases, which had not commenced.

The Company has elected not to recognize a lease liability for short term leases (leases with an expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis. The expenses relating to short-term leases amounted to P0.6 million, P0.2 million and P0.3 million in 2022, 2021 and 2020, respectively, and is presented as Rental under Operating Expenses account in the 2022 and 2021 statements of comprehensive income. As of December 31, 2022 and 2021, the Company has no remaining commitments on short-term leases.

The Company has pre-terminated certain lease contracts in 2022 and 2021, which resulted to the derecognition of related lease liabilities amounting to P21.4 million and P64.4 million, respectively. Relative to this, the Company recognized gain on pretermination of lease amounting to P2.5 million and P4.5 million in 2022 and 2021, respectively, and is presented as part of Other Income in the statements of comprehensive income (see Notes 10.4 and 11.2).

Interest expense in relation to lease liabilities amounting to P2.9 million, P6.3 million and P13.2 million, in 2022, 2021 and 2020, respectively, is presented as part of Finance costs under Other Income (Charges) account in the statements of comprehensive income (see Note 11.1).

Refundable deposits relating to these lease of office spaces amounting to P4.5 million and P43.9 million as of December 31, 2022 and 2021, respectively, and are recorded under Other Non-current Assets account in the statements of financial position (see Note 5).

11. OTHER INCOME (CHARGES)

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

11.1 Finance Cost

	Notes	2022	2021	2020
Interest expense on:				
Interest-bearing loans	10	P 145,892,784	P 147,124,326	P 131,056,313
Lease liabilities	10.4	2,850,855	6,262,548	13,219,206
Post-employment benefits	12.2	1,510,922	1,196,591	970,041
Non-trade payables	14.4	3,337,448	-	37,733,084
		153,592,009	154,583,465	182,978,644
Foreign currency exchange losses – net		17,906,373	15,149,169	1,696,317
Bank charges		76,942	87,658	90,893
		P 171,575,324	P 169,820,292	P 184,765,854

11.2 Other Income

	Notes	2022	2021	2020
Gain on debt modification	10	P 3,677,615	P -	P -
Gain on pretermination of lease	6, 10.4, 14.6	2,525,090	4,541,721	-
Gain on sale of property and equipment	6	1,059,131	-	-
Miscellaneous		964,178	(23,836)	166,736
		P 8,226,014	P 4,517,885	P 166,736

12. SALARIES AND EMPLOYEE BENEFITS

12.1 Salaries and Employee Benefits

The details of salaries and employee benefits for the years ended December 31, 2022, 2021 and 2020 are presented below.

	Notes	<u>2022</u>	<u>2021</u>	<u>2020</u>
Short-term employee benefits	P	70,788,226	P 80,545,722	P 90,758,306
Share-based compensation	15.2	6,410,341	1,371,745	4,826,196
Post-employment benefits	12.2	3,069,980	<u>2,947,291</u>	<u>7,573,537</u>
	P	<u>80,268,547</u>	P <u>84,864,758</u>	P <u>103,158,039</u>

12.2 Post-employment Defined Benefit

(a) Characteristics of Post-employment Defined Benefit Plan

As of December 31, 2022 and 2021, the Company has not yet established a post-employment benefit fund. The Company, however, accrues post-employment benefits based on its Retirement Plan Policy which covers all regular full-time employees.

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

(b) Explanation of Amounts Presented in the Financial Statements

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

(i) Post-employment Benefit Obligation

The movements in the present value of post-employment defined benefit obligation recognized as of December 31, 2022 and 2021 books are presented below:

		<u>2022</u>	<u>2021</u>
Balance at beginning of year	P	30,218,439	P 30,293,432
Current service cost		3,069,980	2,947,291
Interest cost		1,510,922	1,196,591
Actuarial loss (gain) due to changes in:			
Financial assumptions	(	5,339,705)	(2,653,521)
Demographic assumptions	(	1,462,868)	-
Experience assumptions		397,548	(<u>1,565,354</u>)
Balance at end of year	P	<u>28,394,316</u>	P <u>30,218,439</u>

(ii) *Post-employment Benefit Expense*

The amounts of post-employment benefit expense recognized in the statement of comprehensive income in respect of the defined benefit post-employment plan are as follows:

	Notes	2022	2021	2020
<i>Recognized in profit or loss:</i>				
Current service cost	12.1	P 3,069,980	P 2,947,291	P 7,573,537
Interest expense	11.1	1,510,922	1,196,591	970,041
		<u>P 4,580,902</u>	<u>P 4,143,882</u>	<u>P 8,543,578</u>
<i>Recognized in other comprehensive income (loss) –</i>				
Actuarial loss (gain) due to changes in				
Financial assumptions	(P	5,339,705)	(P 2,653,521)	P 1,953,109
Demographic assumptions	(	1,462,868)	-	-
Experience assumptions		397,548	(1,565,354)	-
		<u>(P 6,405,025)</u>	<u>(P 4,218,875)</u>	<u>P 1,953,109</u>

In determining the retirement benefit obligation as at December 31, 2022 and 2021, the following actuarial assumptions were used:

	2022	2021
Discount rates	7.16%	5.00%
Expected rate of salary increase	5.00%	5.00%

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 males and 25 for 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 Company 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.

(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 Company's asset-liability matching strategy, and the timing and uncertainty of future cash flows related to the retirement plan are described below.

(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 the following dates:

	<u>Impact on Post-employment Benefit Obligation</u>				
	<u>Change in Assumption</u>		<u>Increase in Assumption</u>		<u>Decrease in Assumption</u>
<u>December 31, 2022</u>					
Discount rate	+/-1.0%	(P	2,038,671)	P	2,297,422
Salary growth rate	+/-1.0%		2,434,751	(	2,195,780)
<u>December 31, 2021</u>					
Discount rate	+/-1.0%	(P	2,238,352)	P	2,519,443
Salary growth rate	+/-1.0%		2,282,424	(	2,074,214)

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 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) *Funding Arrangements and Expected Contributions*

As of December 31, 2022 and 2021, the plan is underfunded by P28.4 million and P30.2 million, respectively, based on the latest actuarial valuation. While there are no minimum funding requirements in the country, the size of the underfunding may pose a cash flow risk in about 25 years' time when a significant number of employees is expected to retire. The Company does not expect to set-up a retirement fund plan to make any contribution to a plan during the next reporting period.

The maturity profile of undiscounted expected benefit payments from the plan from as follows:

	<u>2022</u>	<u>2021</u>
Within one to five years	P 13,776,753	P 18,991,316
More than five years but not more than ten years	3,139,431	3,309,619
More than ten years but not more than 15 years	58,014,106	56,569,180
More than 15 years	<u>37,265,579</u>	<u>14,162,109</u>
	<u>P 112,195,869</u>	<u>P 93,032,224</u>

The weighted average duration of the defined benefit obligation at the end of the reporting period is five years.

13. TAXES

13.1 Current and Deferred Taxes

The components of tax income (expense) as reported in the statements of comprehensive income are shown below.

	<u>2022</u>	<u>2021</u>	<u>2020</u>
<i>Reported in profit or loss:</i>			
Current tax:			
Minimum corporate income tax (MCIT) at 1% in 2022 and 2021 and 2% in 2020	(P 3,124,032)	(P 1,162,722)	(P 178,013)
Final taxes at 20%	(3,220)	(1,871)	(10,337)
Effect of the change in income tax rates	-	44,504	-
	<u>(3,127,252)</u>	<u>(1,120,089)</u>	<u>(188,350)</u>
Deferred tax income (expense) relating to:			
Origination of temporary differences	254,741,416	4,714,727	(145,752,552)
Effect of the change in income tax rates	-	(2,024,563)	-
	<u>254,741,416</u>	<u>2,690,164</u>	<u>(145,752,552)</u>
	<u><u>P 251,614,164</u></u>	<u><u>P 1,570,075</u></u>	<u><u>(P 145,940,902)</u></u>
<i>Reported in other comprehensive income:</i>			
Deferred tax income (expense) relating to:			
Origination of temporary differences	(P 1,601,256)	(P 1,054,718)	P 585,933
Effect of the change in income tax rates	-	(311,508)	-
	<u>(P 1,601,256)</u>	<u>(P 1,366,226)</u>	<u>P 585,933</u>

The reconciliation of tax on pretax profit (loss) computed at the applicable statutory rate to tax income (expense) reported in the profit and loss section of the statements of comprehensive income is as follows:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Tax on pretax profit (loss) at 25% in 2022 and 2021 and 30% in 2020	P 247,212,545	(P 21,792,701)	P 59,435,365
Adjustments for income subjected to lower tax rates	(1,984)	996	5,662
Effect of the change in income tax rates	-	(1,980,059)	-
Tax effects of:			
Unrecognized net operating loss carry-over (NOLCO)	7,373,665	(61,006,607)	(61,694,841)
Non-deductible expenses	(2,970,062)	(2,524,381)	(3,031,002)
Non-taxable income	-	88,872,827	12,006,000
Expiration of NOLCO	-	-	(152,662,086)
	<u>P 251,614,164</u>	<u>P 1,570,075</u>	<u>(P 145,940,902)</u>

The net deferred tax assets as of December 31, 2022 and 2021 pertain to the following:

	Statements of		Statements of Comprehensive Income					
	Financial Position		Profit or Loss			Other Comprehensive Income (Loss)		
	2022	2021	2022	2021	2020	2022	2021	2020
Impairment losses on investment	P 245,801,141	P -	P 245,801,141	P -	P -	P -	(P 1,366,226)	P 585,933
Unrealized foreign currency exchange losses	7,760,096	2,968,361	4,791,735	2,968,361	-	-	-	-
Retirement benefit obligation	7,098,581	7,554,611	1,145,226	(167,193)	2,563,073	(1,601,256)	-	-
MCIT	4,358,236	1,296,231	3,062,005	1,118,218	178,013	-	-	-
Share based compensation	3,152,071	1,549,485	1,602,586	101,626	1,447,859	-	-	-
Leases	1,078,764	1,882,664	(803,900)	(1,330,848)	2,720,589	-	-	-
Gain on debt restructuring	(919,404)	-	(919,404)	-	-	-	-	-
NOLCO	-	-	-	-	(152,662,086)	-	-	-
Deferred tax assets - net	P 268,329,485	P 15,251,352						
Deferred tax income (expense)			P 254,679,389	P 2,690,164	(P 145,752,552)	(P 1,601,256)	(P 1,366,226)	P 585,933

The details of the Company's NOLCO are shown below.

Year Incurred	Original Amount	Applied Amount	Remaining Balance	Valid Until
2021	P 244,026,427	(P 29,494,659)	P 214,531,768	2026
2020	205,653,114	-	205,653,114	2025
	P 449,679,541	(P 29,494,659)	P 420,184,882	

The details of the Company's MCIT are shown below.

Year Incurred	Remaining Balance	Valid Until
2022	P 3,062,005	2025
2021	1,162,722	2024
2020	133,509	2023
	P 4,358,236	

The Company's remaining NOLCO can be claimed as deduction against its future taxable income for the next five consecutive years, or until 2026 and 2025, respectively, pursuant to Section 4 (bbbb) of RA No. 11494 and as implemented through Revenue Regulations (RR) No. 25-2020.

The Company is subject to the MCIT, which is computed at 1% of gross income, in 2022 and 2021, respectively, as defined under the tax regulations or RCIT, whichever is higher.

In 2022, 2021 and 2020, the Company opted to claim itemized deductions in computing for its income tax due.

14. RELATED PARTY TRANSACTIONS

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

A summary of the Company's transactions with its related parties for the years ended December 31, 2022, 2021 and 2020, and the related outstanding balances as of December 31, 2022 and 2021 is presented in the succeeding page.

Notes	Amounts of Transactions			Outstanding Balances		
	2022	2021	2020	2022	2021	
Parent Company –						
Cash advances granted	14.1 (P	218,229,166)	P 6,428,989,657	P 334,450,568	P 7,111,225,836	P 7,329,455,002
Subsidiaries:						
Cash advances granted	14.1 (	76,144,864)	(348,239,968)	(269,522,253)	1,206,689,857	1,282,834,722
Cash advances obtained	14.1 (	84,385,485)	7,535,526,088	(335,732,963)	(8,999,056,635)	(9,083,442,120)
Management fees	14.2	373,544,871	253,921,310	238,623,201	863,370,333	634,656,216
Interest income	14.3	37,200,000	-	-	18,164,000	-
Dividend income	14.4	-	-	40,020,000	-	4,375,000
Related parties under common ownership:						
Cash advances obtained	14.1	32,098,051	(798,052)	446,516,667	(504,000,000)	(536,098,051)
Cash advances granted	14.1 (	6,500,000)	-	6,500,000	-	6,500,000
Acquisition of CSC's shares	8, 9, 14.5	-	-	-	(500,000,000)	(500,000,000)
Right-of-use assets	6, 14.6	16,656,540	82,242,174	(34,146,043)	26,372,856	43,029,396
Lease liabilities	10.4, 14.6 (	17,347,050)	(79,779,198)	(27,520,382)	(26,177,746)	(43,524,796)
Associate:						
Acquisition of SFFC's shares	8, 14.5	-	(528,132,766)	(121,867,234)	-	-
Sale of Dito	8	-	-	4,106,249,966	271,874,967	271,874,967
Stockholder –						
Cash advances granted	14.1	86,000,000	8,805,000	(15,341,493)	227,209,551	141,209,551

The Company's outstanding receivables with related parties were subjected to impairment testing using PFRS 9's ECL model (see Note 18.2).

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.

14.1 Advances to and from Related Parties

In the normal course of business, the Company 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, 2022 and 2021, the outstanding receivable and payable balances to and from these advances are shown as Advances to Related Parties and Advances from Related Parties, respectively, in the 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 2022 and 2021 follows:

	Parent Company	Subsidiaries	Related Parties under Common Ownership	Associate	Stockholders	Total
December 31, 2022						
Balance at beginning of year	P 7,329,455,002	P 1,282,834,722	P 6,500,000	P 271,874,967	P 141,209,551	P 9,031,874,243
Collections	(218,229,166)	(83,665,159)	(6,500,000)	-	-	(308,394,325)
Advances granted	-	7,520,294	-	-	86,000,000	93,520,294
Balance at end of year	P 7,111,225,836	P 1,206,689,857	P -	P 271,874,967	P 227,209,551	P 8,817,000,212
December 31, 2021						
Balance at beginning of year	P 900,465,345	P 1,631,074,690	P 6,500,000	P 271,874,967	P 132,404,551	P 2,942,319,553
Offsetting against sales proceeds	6,550,275,167	-	-	-	-	6,550,275,167
Reclassification	-	(263,183,900)	-	-	-	(263,183,900)
Collections	(121,285,510)	(170,371,663)	-	-	-	(291,657,173)
Advances granted	-	85,315,595	-	-	8,805,000	94,120,595
Balance at end of year	P 7,329,455,002	P 1,282,834,722	P 6,500,000	P 271,874,967	P 141,209,551	P 9,031,874,243

In 2021, KGLI-NM sold its investment in 2GO to third parties for a total consideration of P7,460.4 million. Portion of the consideration amounting to P6,550.3 million was offset against a loan of the parent company and is presented as part of Advances to Related Parties in the 2021 statement of financial position. Further, P35.2 million of the total consideration was used to offset against the Company's payables with 2GO in 2021. Remaining balance of the consideration was used to acquire the Preferred B shares of KGLI-NM from its previous owner.

In 2021, the Company reclassified advances to related parties amounting to P263.2 million to form part of the Company's additional investment in subsidiaries (see Note 8).

Based on management's assessment, no expected credit loss is recognized in 2022 and 2021 related to the advances granted to related parties (see Note 18.2).

The movement in the Advances from Related Parties account in 2022 and 2021 follows:

	<u>2022</u>	<u>2021</u>
Balance at beginning of year	P 9,619,540,171	P 2,083,216,032
Repayments	(116,483,536)	-
Offsetting against sales proceeds	-	7,460,398,028
Cash advances obtained	-	<u>75,926,111</u>
Balance at end of year	<u>P 9,503,056,635</u>	<u>P 9,619,540,171</u>

14.2 Management Fees

The Company entered into management agreements with its subsidiaries wherein the Company shall provide general management services such as, but not limited to, accounting and treasury, internal audit functions, management information, human resources planning, consultancy and delivery, quality management, coordination and acquisition of corporate insurance needs, maintenance of corporate records and assistance in coordinating legal processes, controllership activities and preparation of annual business plans and reports. In consideration for such services, the Company charges a fee equivalent to a certain percentage of the related parties' revenues. Fees arising from these transactions are presented as Management fees under the Revenues account in the statements of comprehensive income.

The related outstanding receivables from related parties are unsecured, noninterest-bearing and is included as part of Trade receivables under the Trade and Other Receivables account in the statements of financial position (see Note 4). Further, no expected credit loss was recognized on the outstanding receivables from related parties in 2022 and 2021 based on management's assessment (see Note 18.2).

14.3 Interest Income

In 2022, the Company recharged to a certain subsidiary the total interest expense incurred in relation to a certain loan. Interest income recognized amounted to P37.2 million and is presented as part of Finance Income under Other Income (Charges) account in the 2022 statement of comprehensive income. The related outstanding receivables from related parties are unsecured and is presented as part of Trade receivables under the Trade and Other Receivables account in the 2022 statement of financial position (see Note 4). Further, no expected credit loss was recognized on the outstanding receivables in 2022 based on management's assessment (see Note 18.2).

14.4 Dividend Income

In 2020, the Company recognized dividend income amounting to P40.0 million and is presented as Dividend income under the Revenues account in the 2020 statement of comprehensive income. As of December 31, 2021, dividends receivable amounted to P4.4 million and is presented as part of Trade and Other Receivables account in the 2021 statement of financial position (see Note 4). This was fully collected in 2022. No dividend income was recognized by the Company in 2022 and 2021.

14.5 Acquisition of CSC and SFFC's 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 and is presented as part of Investments in Subsidiaries and Associates account in statements of financial position (see Note 8). As of December 31, 2022 and 2021, 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 statements of financial position (see Note 9).

On October 9, 2019, the Company acquired all of the outstanding shares of SFFC from 2GO for a total consideration of P650.0 million and is presented as part of Investments in Subsidiaries and an Associate account in the statements of financial position (see Note 8). In 2020, the outstanding balance from this transaction amounting to P500.0 million bears an interest of 6.50% and was fully paid in 2021. Interest expense recognized on this payable amounted to P37.7 million in 2020.

14.6 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 (see Notes 6 and 10.4). The total amortization on the right-of-use asset is presented as part of Depreciation and amortization under Other Operating Expenses account in the statements of comprehensive income. Interest expense arising from the lease liabilities is recognized as part of Finance costs under Other Income (Charges) account in the statements of comprehensive income (see Notes 10.4 and 11.1).

The Company has pre-terminated certain lease contracts in 2022 and 2021, which resulted to the derecognition of related right-of-use assets amounting to P18.9 million and P65.6 million, respectively and derecognition of lease liabilities amounting to P21.4 million and P64.4 million, respectively. Relative to this, the Company recognized gain on pretermination of lease amounting to P2.5 million and P4.5 million in 2022 and 2021, respectively, and is presented as part of Other Income in the statements of comprehensive income (see Notes 6, 10.4 and 11.2).

14.7 Key Management Personnel Compensation

The Company's key management personnel compensation includes short-term benefits and post-employment defined benefits and are included as part of Salaries and employee benefits under the Other Operating Expenses account in the statements of comprehensive income.

14.8 Other

Certain interest-bearing loans of the Company were secured by deed of pledge of shares of stocks by Udenna and the Company with a net book value of P190.7 million and P142.8 million as of December 31, 2022 and 2021, respectively (see Note 10).

15. EQUITY

15.1 Capital Stock

Capital stock consists of:

	<u>Shares</u>		<u>Amount</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Preferred shares – P1 par value				
Authorized	<u>10,000,000</u>	<u>10,000,000</u>	<u>P 10,000,000</u>	<u>P 10,000,000</u>
Issuances during the year	<u>500,000</u>	<u>-</u>	<u>P 500,000</u>	<u>P -</u>
Issued and outstanding	<u>500,000</u>	<u>-</u>	<u>P 500,000</u>	<u>P -</u>
Common shares – P1 par value				
Authorized	<u>3,490,000,000</u>	<u>1,990,000,000</u>	<u>P3,490,000,000</u>	<u>P1,990,000,000</u>
Issued	<u>1,821,977,615</u>	<u>1,821,977,615</u>	<u>P 1,821,977,615</u>	<u>P 1,821,977,615</u>
Subscribed shares:				
Subscriptions of shares during the year	<u>375,000,000</u>	<u>-</u>	<u>375,000,000</u>	<u>-</u>
Subscription receivables	<u>(281,250,000)</u>	<u>-</u>	<u>(281,250,000)</u>	<u>-</u>
Balance at end of year	<u>93,750,000</u>	<u>-</u>	<u>93,750,000</u>	<u>-</u>
Total issued, subscribed and outstanding shares	<u>1,916,227,615</u>	<u>1,821,977,615</u>	<u>P 1,916,227,615</u>	<u>P 1,821,977,615</u>

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 8). In addition, the Company 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 Company recognized the APIC amounting to P4,725,754,772, net of issuance costs amounting to P565,265,468. As at December 31, 2022 and 2021, the Company's listed shares closed at P1.66 and P1.62 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 subscribed 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.

Receipt of capital infusion from Global Kingdom Investments Limited amounting to P414.8 million and from Udenna amounting to P305.6 million, totaling to P805.6 million was presented as Deposits on Future Stock Subscriptions under Equity section as of December 31, 2021 and was reclassified as part of Capital Stock and APIC in 2022 upon approval of the increase in the authorized capital stock by the SEC on April 4, 2022.

In 2022, Global Kingdom has fully paid its subscriptions to preferred shares and the Company subsequently issued the preferred shares. The preferred shares are non-voting, redeemable at the option of the issuer at subscription price and earn cumulative cash dividend at a rate of 8% per annum payable upon BOD's declaration and approval.

15.2 Employee Stock Option Plan

On February 13, 2019, the BOD of the Company approved an 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 IOD. The Company shall receive cash for the stock options.

As of December 31, 2022 and 2021, 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, 2022 and 2021.

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
Amended exercise price	:	P3.99
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.

In 2022, the Company amended the subscription price of the stock options to P3.99 per share from P6.28 per share and the exercise periods to the first five trading days of September of every year. This change was taken prospectively from date of approval.

A total of P6.4 million and P1.4 million is recognized in 2022 and 2021, respectively, and is included as part of Salaries and employee benefits under Operating Expenses account in the statements of comprehensive income (see Note 12.1) and credited to Share Options Outstanding in the Equity section of the statements of financial position. In 2022 and 2021, outstanding share options amounting to P12.6 million and P6.2 million, respectively, is presented as Share Options Outstanding in the statements of financial position.

16. EARNINGS (LOSS) PER SHARE

Basic and diluted earnings for profit (loss) attributable to the Company's stockholders are computed as follows:

	<u>2022</u>		<u>2021</u>		<u>2020</u>
Net profit (loss)	(P 737,236,014)	P	88,740,881	(P	344,058,786)
Divided by weighted average shares outstanding	<u>1,892,665,115</u>		<u>1,821,977,615</u>		<u>1,821,977,615</u>
Earnings (loss) per share – basic and diluted	<u>(P 0.390)</u>	P	<u>0.049</u>	(P	<u>0.189</u>)

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, 2022 and 2021. There were no outstanding convertible preferred shares and bonds or other stock equivalents as of December 31, 2022 and 2021; hence, diluted earnings per share is equal to the basic earnings per share.

17. COMMITMENTS AND CONTINGENCIES

There are other commitments and contingent liabilities that arise in the normal course of the Company's operations which have not been reflected in the Company's financial statements. Management is of the opinion that losses, if any, from other commitments and contingencies will not have material effects on the Company's financial statements.

18. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company is exposed to a variety of financial risks in relation to its financial instruments. The Company's financial assets and financial liabilities by category are summarized in Note 19.1. The main types of risks are market risk, credit risk and liquidity risk.

The Company's risk management is coordinated with its parent Company, in close cooperation with the BOD, and focuses on actively securing the Company's short to medium-term cash flows by minimizing the exposure to financial markets.

The Company 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 Company is exposed to are described below and in the succeeding pages.

18.1 Market Risks

The Company 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

The Company has limited exposure to foreign currency risks as most of its transactions are denominated in Philippine pesos, its functional currency.

(b) Interest Rate Sensitivity

As of December 31, 2022 and 2021, the Company is exposed to changes in market interest rates through its cash in banks, which are subject to variable interest rates. However, management believes that the related interest rate risk exposure is not significant to the financial statements. All other financial assets and financial liabilities are either noninterest-bearing or subject to fixed interest rates.

18.2 Credit Risk

Credit risk is the risk that a counterparty may fail to discharge an obligation to the Company. The Company is exposed to this risk for various financial instruments, for example, by granting advances and rendering services to related parties and by placing deposits with banks.

The maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown in the statements of financial position as summarized below.

	<u>Notes</u>	<u>2022</u>	<u>2021</u>
Cash	2	P 3,261,170	P 7,832,788
Trade and other receivables (excluding advances to officers and employees)	4	884,125,957	640,402,129
Advances to related parties	14.1	8,817,000,212	9,031,874,242
Refundable deposits	5	4,544,077	43,885,582
Restricted cash	5	<u>335,112</u>	<u>335,112</u>
		<u>P 9,709,266,528</u>	<u>P 9,724,329,853</u>

None of the financial assets are secured by collateral or other credit enhancements, except for cash, 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 in banks 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 Company 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, 2022 and 2021, 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.

No impairment was recognized in relation to the Company's trade and other receivables as the historical loss rates from existing customers are low and deemed insignificant. The Company also considers to the existence of financial liabilities, which may be offset against the outstanding trade receivables with the same counterparty.

The credit risk for refundable deposits is also considered negligible as the Company has ongoing lease agreements with the counterparty and the latter is considered to be with sound financial condition and sufficient liquidity.

Furthermore, the Company's advances to related parties are repayable on demand and the contractual period is the very 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. Management assessed that the outstanding advances from related parties as of December 31, 2022 and 2021 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

18.3 Liquidity Risk

The Company manages its liquidity needs by carefully monitoring scheduled debt servicing payments for 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 Company maintains cash to meet its liquidity requirements for up to 60-day periods. Funding for 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, 2022, the Company's financial liabilities, excluding lease liabilities (see Note 10.4), have contractual maturities which are presented below.

	Notes	Current			Non-current	
		Due and Demandable	Within Six Months	Within Six to Twelve Months	One to Five Years	More Than Five Years
Interest-bearing loans and borrowings	10	P -	P 986,812,445	P 398,672,611	P 650,622,769	P 449,138,778
Accounts and other payables	9	360,129,533	608,502,260	1,281,249,999	-	-
Advances from related parties	14	9,503,056,635	-	-	-	-
		P 9,863,186,168	P 1,595,314,705	P 1,679,922,610	P 650,622,769	P 449,138,778

As at December 31, 2021, the Company's financial liabilities have contractual maturities which are presented below.

Notes	Current			Non-current		
	Due and Demandable	Within Six Months	Within Six to Twelve Months	One to Five Years	More Than Five Years	
Interest-bearing loans and borrowings	10	P -	P 635,220,373	P 608,659,183	P 769,897,818	P 543,208,556
Accounts and other payables	9	336,050,806	473,638,355	1,281,249,999	-	-
Advances from related parties	14	9,619,540,171	-	-	-	-
		<u>P 9,955,590,977</u>	<u>P 1,108,858,728</u>	<u>P 1,889,909,182</u>	<u>P 769,897,818</u>	<u>P 543,208,556</u>

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.

19. CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

19.1 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 statements of financial position are shown in the succeeding page.

Notes	2022		2021	
	Carrying Amounts	Fair Values	Carrying Amounts	Fair Values
Financial Assets –				
<i>At amortized cost:</i>				
Cash	P 3,261,170	P 3,261,170	P 7,832,788	P 7,832,788
Trade and other receivables	4 884,125,957	884,125,957	640,402,129	640,402,129
Advances to related parties	14.1 8,817,000,212	8,817,000,212	9,031,874,242	9,031,874,242
Security deposits	5 4,544,077	4,544,077	43,885,582	43,885,582
Restricted cash	5 335,112	335,112	335,112	335,112
	<u>P 9,709,266,528</u>	<u>P 9,709,266,528</u>	<u>P 9,724,329,853</u>	<u>P 9,724,329,853</u>
Financial Liabilities –				
<i>At amortized cost:</i>				
Interest-bearing loans and borrowings	10 P 1,907,335,892	P 2,046,037,806	P 1,995,458,232	P 1,859,028,048
Accounts and other payables	9 2,249,881,791	2,249,881,791	2,090,939,159	2,090,939,159
Advances from related parties	14.1 9,503,056,635	9,503,056,635	9,619,540,171	9,619,540,171
	<u>P 13,660,274,318</u>	<u>P 13,798,976,232</u>	<u>P 13,705,937,562</u>	<u>P 13,569,507,378</u>

See Notes 2.5 and 2.9 for the description of the accounting policies for each category of financial instruments including the determination of fair values. A description of the Company's risk management objectives and policies for financial instruments is provided in Note 18.

19.2 Offsetting of Financial Assets and Financial Liabilities

The Company has not set off financial assets and financial liabilities in 2022 and 2021 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 Company's outstanding interest-bearing loans from certain banks can be potentially set-off to the extent of the Company's outstanding cash deposited in the same banks. Restricted cash represents bank accounts that are reserved for debt service requirements in relation to certain loans of the Company.

The outstanding balances of trade and other receivables and cash advances granted to related parties totaling P9,707.3 million and P9,713.9 million as of December 31, 2022 and 2021, respectively, may be offset against the outstanding balances of accounts and other payables and cash advances obtained from related parties totaling P10,029.2 million and P10,163.1 million as of December 31, 2022 and 2021, respectively.

The Company also has cash balances are also restricted for use to secure line of credits with banks (see Notes 5 and 10.1).

20. FAIR VALUE MEASUREMENTS AND DISCLOSURES

20.1 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 Company 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.

20.2 Financial Instruments Measured at Fair Value

The Company has no financial assets and financial liabilities measured at fair value as of December 31, 2022 and 2021.

20.3 Financial Instruments Measured at Amortized Cost but for which Fair Value is Disclosed

The tables below summarize the fair value hierarchy of the Company's financial assets and financial liabilities as of December 31, 2022 and 2021, which are not measured at fair value in the statements of financial position but for which fair value is disclosed.

		Fair Value Hierarchy as of December 31, 2022				
Notes	Level 1	Level 2	Level 3	Total		
Financial Assets –						
<i>At amortized cost:</i>						
Cash	P	3,261,170	P	-	P	3,261,170
Trade and other receivables	4	-	-	884,125,957		884,125,957
Advances to related parties	14.1	-	-	8,817,000,212		8,817,000,212
Security deposits	5	-	-	4,544,077		4,544,077
Restricted cash	5	-	-	335,112		335,112
		P 3,261,170	P -	P 9,706,005,358		P 9,709,266,528
Financial Liabilities –						
<i>At amortized cost:</i>						
Interest-bearing loans and borrowings	10	P	-	P	2,046,037,806	P 2,046,037,806
Accounts and other payables	9	-	-	2,249,881,791		2,249,881,791
Advances from related parties	14.1	-	-	9,503,056,635		9,503,056,635
		P -	P -	P 13,798,976,232		P 13,798,976,232
		Fair Value Hierarchy as of December 31, 2021				
Notes	Level 1	Level 2	Level 3	Total		
Financial Assets –						
<i>At amortized cost:</i>						
Cash	P	7,832,788	P	-	P	7,832,788
Trade and other receivables	4	-	-	640,402,129		640,402,129
Advances to related parties	14.1	-	-	9,031,874,242		9,031,874,242
Security deposits	5	-	-	43,885,582		43,885,582
Restricted cash	5	-	-	335,112		335,112
		P 7,832,788	P -	P 9,716,497,065		P 9,724,329,853
Financial Liabilities –						
<i>At amortized cost:</i>						
Interest-bearing loans and borrowings	10	P	-	P	1,859,028,048	P 1,859,028,048
Accounts and other payables	9	-	-	2,090,939,159		2,090,939,159
Advances from related parties	14.1	-	-	9,619,540,171		9,619,540,171
		P -	P -	P 13,569,507,378		P 13,569,507,378

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.

20.4 Fair Value Measurements of Non-financial Assets

The Level 3 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.

As at December 31, 2022 and 2021, 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, 2022 and 2021 is not impaired.

21. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Company's capital management objectives are to ensure the Company's ability to continue as a going concern and to provide an adequate return to shareholders.

The Company monitors capital on the basis of the carrying amount of equity as presented in the statements of financial position. Capital for the reporting periods under review is summarized as follows:

	<u>2022</u>	<u>2021</u>
Total liabilities	P 13,918,038,786	P 13,952,446,467
Total equity	<u>11,994,599,567</u>	<u>12,635,421,470</u>
Debt-to-equity ratio	<u>1.16 : 1.00</u>	<u>1.10 : 1.00</u>

The Company's goal in capital management is to maintain a debt-to-equity structure ratio which is in line with the Company's covenants related to its bank borrowings.

The Company sets the amount of capital in proportion to its overall financing structure, i.e., equity and total liabilities. The Company 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 Company may issue new shares or sell assets to reduce debt.

22. SUPPLEMENTAL INFORMATION ON NON-CASH ACTIVITIES

Discussed below are the supplemental on non-cash activities relative to the statements of cash flows of the Company.

- (a) In 2022 and 2021, the Company has pre-terminated certain lease contracts which resulted to the derecognition of related right-of-use assets amounting to P18.9 million and P65.6 million, and lease liabilities amounting to P21.4 million and P64.4 million, respectively. Relative to this, the Company recognized gain on pretermination of lease amounting to P2.5 million and P4.5 million in 2022 and 2021, respectively, and is presented as part of Other Income in the statements of comprehensive income (see Notes 6, 10.4 and 11.2).

- (b) In 2021, KGLI-NM sold its investment in 2GO for a total consideration of P7,460.3 million to third parties. Portion of the consideration amounting to P6,550.3 million was offset against a loan of the parent company and is passed through in the Company as advances to and from related parties in the 2021 statement of financial position (see Note 14.1). Further, P35.2 million of the total consideration was used to offset against the Company's payables with 2GO in 2021. Remaining balance of the consideration was used to acquire the Preferred B shares of KGLI-NM from its previous owner (see Note 8).
- (c) In 2020, the Company sold its investment in Dito Telecommunity Corporation 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 Company (see Note 8).
- (d) In 2020, the Company acquired certain transportation equipment through obtaining mortgage loans from a local bank totaling P1.0 million and P1.8 million, respectively (see Notes 6 and 10.3). In 2020, the Company recognized right-of-use assets amounting to P55.8 million and lease liabilities amounting to P55.8 million. The carrying amount of the right-of-use assets and outstanding balance of lease liabilities are presented as part of Property and Equipment and Interest-bearing Loans and Borrowings in the statements of financial position, respectively. In 2021, the Company 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 6 and 10). In 2022, the Company has pre-terminated a lease of container yards with right-of-use assets and lease liabilities amounting to P18.9 million and P21.4 million (see Notes 6 and 10.4).

23. SUPPLEMENTARY INFORMATION REQUIRED BY THE BUREAU OF INTERNAL REVENUE

Presented below and in the succeeding pages is the supplementary information on taxes, duties and license fees paid or accrued during the taxable year which is required by the BIR under RR No. 15-2010 to be disclosed as part of the notes to financial statements. This supplementary information is not a required disclosure under PFRS.

(a) Output VAT

In 2022, the Company declared output VAT amounting to P17,393,447 based on its VATable gross receipts amounting to P144,945,389 reported as part of Revenues in the 2022 statement of comprehensive income. The outstanding Deferred Output VAT payable, which pertains to uncollected revenues, as of December 31, 2022 amounted to P111,215,447 is presented as part of Accounts and Other Payables account in the 2022 statement of financial position.

(b) *Input VAT*

The movement in Input VAT for the year ended December 31, 2022 is summarized below.

Balance at beginning of year	P	2,224,764
Domestic purchase of services		8,759,355
Domestic purchase of goods other than capital goods		209,653
Input tax on capital goods subject to amortization		70,579
Application against output VAT	(	<u>11,255,351</u>)
Balance at end of year	P	<u>9,000</u>

The Company has outstanding deferred input VAT as of December 31, 2022 amounting to P51,551,950 and is presented as part of Other Current Assets account in the 2022 statement of financial position.

(c) *Taxes on Importation*

The Company has not paid or accrued any customs duties and tariff fees as it did not have any importation for the year ended December 31, 2022.

(d) *Excise Taxes*

The Company did not have any transactions in 2022, which are subject to excise tax.

(e) *Documentary Stamp Taxes (DST)*

The details of DST paid by the Company for the year ended December 31, 2022 are as follows.

Loan instruments	P	1,984,398
Equity instrument		<u>3,755,000</u>
	P	<u>5,739,398</u>

(f) *Taxes and Licenses*

Taxes and licenses for the year ended December 31, 2022 are presented under Operating Expenses account in the 2022 statement of comprehensive income and broken down as follows:

DST	P	5,739,398
Business and local taxes		600,840
Annual registration fee		<u>500</u>
	P	<u>6,340,738</u>

(g) *Withholding Taxes*

The details of the total withholding taxes for the year ended December 31, 2022 are shown below.

Compensation and benefits	P	14,783,859
Expanded		7,982,610
Final		<u>4,633,847</u>
	P	<u>27,400,316</u>

(h) *Deficiency Tax Assessment and Cases*

As at December 31, 2022, the Company does not have any final deficiency tax assessments with the BIR or tax cases outstanding or pending in courts or bodies outside of the BIR in any of the open taxable years.



Report of Independent Auditors to Accompany Supplementary Information Required by the Securities and Exchange Commission Filed Separately from the Basic Financial Statements

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The Board of Directors and Stockholders
Chelsea Logistics and Infrastructure 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 financial statements of Chelsea Logistics and Infrastructure Holdings Corp. for the year ended December 31, 2022, on which we have rendered our report dated March 24, 2023. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Map Showing the Relationships Between and Among the Company and its Related Entities is presented for additional analysis in compliance with the requirements under the Revised Securities Regulation Code Rule 68, and is not a required part of the basic financial statements prepared in accordance with Philippine Financial Reporting Standards. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

PUNONGBAYAN & ARAULLO

By: **Ramilito L. Nañola**
Partner

CPA Reg. No. 0090741
TIN 109-228-427
PTR No. 9566640, January 3, 2023, Makati City
SEC Group A Accreditation
Partner - No. 90741-SEC (until financial period 2025)
Firm - No. 0002 (until Dec. 31, 2024)
BIR AN 08-002511-019-2020 (until Dec. 21, 2023)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

March 24, 2023

