COVER SHEET

CS201619734

S.E.C. Registration Number

CHELSEA LOGISTICS AND INFRASTRUCTURE HOLDINGS CORP. AND SUBSIDIARIES

(Company's Full Name)

STELLA HIZON REYES ROAD, BO. PAMPANGA, DAVAO CITY

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

MA. HENEDINA V. SAN JUAN	+63 82 224 5373
Contact Person	Company Telephone Number

12	31	17-Q	04	
Month	*Day*	FORM TYPE	*Month*	*Day*
Fiscal Year			Annual Meeting	

N / A

Secondary License Type, If Applicable

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

Total Amount of Borrowings

29	15,407,088,857	1,464,575,112
Total No. of Stockholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended **31 March 2024**

2. Commission identification number **CS201619734**

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

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

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

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

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

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

9. Former name, former address and former fiscal year, if changed since last report
N/A

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

Title of each class	Number of shares outstanding
COMMON	**2,196,977,615**

Amount of debt outstanding: **PHP16,871,663,969**

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

Yes [✓] No [ ]

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

PHILIPPINE STOCK EXCHANGE **COMMON SHARES**

12. Indicate by check mark whether the registrant:

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

Yes [✓] No [ ]

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

Yes [✓] No [ ]

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CHELSEA LOGISTICS AND INFRASTRUCTURE HOLDINGS CORP. AND SUBSIDIARIES
(A Subsidiary of Udenna Corporation)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
MARCH 31, 2024 AND DECEMBER 31, 2023
(Amounts in Philippine Pesos)

	Notes		**March 31, 2024 (Unaudited)**		December 31, 2023 (Audited)
A S S E T S					
CURRENT ASSETS					
Cash and cash equivalents	4	**P**	**294,676,371**	P	392,586,988
Trade and other receivables - net	5		**593,356,305**		622,856,457
Inventories	6		**240,444,767**		272,632,109
Advances to related parties	19		**7,654,331,119**		7,626,252,787
Other current assets	7		**2,317,887,605**		2,031,879,227
Total Current Assets			**11,100,696,167**		10,946,207,568
NON-CURRENT ASSETS					
Investment properties	8		**1,270,907,961**		1,270,907,961
Property and equipment - net	9		**17,957,013,864**		18,140,459,806
Goodwill	23		**1,774,083,332**		1,774,083,332
Post-employment benefit asset	16		**1,911,736**		1,911,736
Deferred tax assets - net	18		**37,582,101**		37,582,101
Other non-current assets - net	11		**814,094,518**		780,205,282
Total Non-current Assets			**21,855,593,512**		22,005,150,218
TOTAL ASSETS		**P**	**32,956,289,679**	P	32,951,357,786

	Notes	March 31, 2024 (Unaudited)	December 31, 2023 (Audited)
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Trade and other payables	13	**P 10,573,596,903**	P 10,248,262,229
Interest-bearing loans and borrowings	12	**3,992,069,517**	3,855,694,365
Advances from related parties	19	**504,000,000**	504,000,000
Advances from customers	2	**412,329,077**	436,376,981
Income tax payable		**13,053,090**	13,053,090
Total Current Liabilities		**15,495,048,587**	15,057,386,665
NON-CURRENT LIABILITIES			
Interest-bearing loans and borrowings	12	**12,879,594,451**	13,182,631,974
Post-employment benefit obligation	16	**127,226,447**	127,226,447
Deferred tax liabilities - net	18	**642,683,350**	642,683,350
Other non-current liabilities		**55,638,637**	37,157,877
Total Non-current Liabilities		**13,705,142,885**	13,989,699,648
Total Liabilities		**29,200,191,472**	29,047,086,313
EQUITY			
Equity attributable to shareholders of the Company			
Capital stock	20	**2,144,018,615**	2,144,018,615
Additional paid-in capital		**11,204,327,157**	11,204,327,157
Share options outstanding		**49,940,776**	49,940,776
Revaluation reserves		**1,912,624,881**	1,917,069,636
Other reserves		**(1,058,033,280)**	(1,058,033,280)
Deficit		**(10,676,779,942)**	(10,533,051,431)
		3,576,098,207	3,724,271,473
Non-controlling interest	20	**180,000,000**	180,000,000
Total Equity		**3,756,098,207**	3,904,271,473
TOTAL LIABILITIES AND EQUITY		**P 32,956,289,679**	P 32,951,357,786

See Notes to Interim Consolidated Financial Statements.

CHELSEA LOGISTICS AND INFRASTRUCTURE HOLDINGS CORP. AND SUBSIDIARIES
(A Subsidiary of Udenna Corporation)
CONSOLIDATED STATEMENTS OF PROFIT OR LOSS
FOR THE THREE MONTHS ENDED MARCH 31, 2024, 2023 AND 2022
(Amounts in Philippine Pesos)
(Unaudited)

	Notes	2024	2023	2022
REVENUES	24	**P 1,778,826,414**	P 1,708,274,169	P 1,299,999,123
COST OF SALES AND SERVICES	14	**1,474,469,943**	1,441,692,787	1,218,548,425
GROSS PROFIT (LOSS)		**304,356,471**	266,581,382	81,450,698
OTHER OPERATING EXPENSES	15	**190,591,912**	286,142,420	164,924,801
EXPECTED CREDIT LOSSES ON RECEIVABLES	5	**487,929**	5,000,000	-
OPERATING PROFIT (LOSS)		**113,276,630**	(24,561,038)	(83,474,103)
OTHER INCOME (CHARGES) - Net				
Finance costs	17	**(275,331,899)**	(315,292,210)	(335,835,582)
Finance income	17	**177,436**	154,370	262,071
Other income		**13,708,219**	17,488,033	3,406,983
		(261,446,244)	(297,649,807)	(332,166,528)
LOSS BEFORE TAX		**(148,169,614)**	(322,210,845)	(415,640,631)
TAX EXPENSE	18	**3,652**	1,833,585	1,343
NET LOSS		**(P 148,173,266)**	(P 324,044,430)	(P 415,641,974)
Loss Per Share (Basic and Diluted)	21	**(P 0.069)**	(P 0.169)	(P 0.228)

See Notes to Interim Consolidated Financial Statements.

CHELSEA LOGISTICS AND INFRASTRUCTURE HOLDINGS CORP. AND SUBSIDIARIES
(A Subsidiary of Udenna Corporation)
INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED MARCH 31, 2024, 2023 AND 2022
(Amounts in Philippine Pesos)
(Unaudited)

	Notes	**2024**	2023	2022
NET LOSS		**(P 148,173,266)**	(P 324,044,430)	(P 415,641,974)
TOTAL COMPREHENSIVE LOSS		**(P 148,173,266)**	(P 324,044,430)	(P 415,641,974)

See Notes to Interim Consolidated Financial Statements.

CHELSEA LOGISTICS AND INFRASTRUCTURE HOLDINGS CORP. AND SUBSIDIARIES
(A Subsidiary of Udenna Corporation)
INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2024, 2023 AND 2022
(Amounts in Philippine Pesos)

		Attributable to Owners of the Parent Company									
	Notes	Capital Stock	Deposits on Future Stock Subscriptions	Additional Paid-in Capital	Share Options Outstanding	Revaluation Reserves	Other Reserves	Deficit	Total	Non-controlling Interest	Total Equity
Balance at January 1, 2024		P 2,144,018,615	P -	P 11,204,327,157	P 49,940,776	P 1,917,069,636	(P 1,058,033,280)	(P 10,533,051,431)	P 3,724,271,473	P 180,000,000	P 3,904,271,473
Total comprehensive loss for the year											
Net loss		-	-	-	-	-	-	(148,173,266)	(148,173,266)	-	(148,173,266)
Transfer of revaluation reserves through depreciation, net of tax	20	-	-	-	-	(4,444,755)	-	4,444,755	-	-	-
Balance at March 31, 2024	20	**P 2,144,018,615**	**P -**	**P 11,204,327,157**	**P 49,940,776**	**P 1,912,624,881**	**(P 1,058,033,280)**	**(P 10,676,779,942)**	**P 3,576,098,207**	**P 180,000,000**	**P 3,756,098,207**
Balance at January 1, 2023		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
Total comprehensive loss for the year											
Net loss		-	-	-	-	-	-	(324,044,430)	(324,044,430)	-	(324,044,430)
Transfer of revaluation reserves through depreciation, net of tax	20	-	-	-	-	(5,205,618)	-	5,205,618	-	-	-
Balance at March 31, 2023	20	P 1,916,227,615	-	P 10,709,745,157	P 41,572,709	P 1,486,050,269	(P 1,058,033,280)	(P 9,824,277,669)	P 3,271,284,801	P 180,000,000	P 3,451,284,801
Balance at January 1, 2022		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
Total comprehensive loss for the year											
Net loss		-	-	-	-	-	-	(415,641,974)	(415,641,974)	-	(415,641,974)
Transfer of revaluation reserves through depreciation, net of tax	20	-	-	-	-	(58,696,992)	-	58,696,992	-	-	-
Balance at March 31, 2022		P 1,821,977,615	P 720,425,000	P 9,998,370,157	P 16,869,063	P 1,142,740,928	(P 1,058,033,280)	(P 3,724,719,509)	P 8,917,629,974	P 210,363,269	P 9,127,993,243

See Notes to Interim Consolidated Financial Statements.

CHELSEA LOGISTICS AND INFRASTRUCTURE HOLDINGS CORP. AND SUBSIDIARIES
(A Subsidiary of Udenna Corporation)
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2024, 2023 AND 2022
(Amounts in Philippine Pesos)
(Unaudited)

	Notes	2024	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss before tax		(P 148,169,614)	(P 322,210,845)	(P 415,640,631)
Adjustments for:				
Interest expense	17	266,413,661	313,002,409	333,489,522
Depreciation and amortization	9, 11	379,584,638	358,802,107	313,005,973
Interest income	17	(177,436)	(154,370)	(15,065)
Loss on sale of property and equipment	9, 17	-	-	(117,682)
Unrealized foreign currency exchange losses - net	17	-	-	6,415,000
Operating profit before working capital changes		497,651,249	349,439,301	237,137,117
Decrease (increase) in trade and other receivables		29,500,152	50,387,893	(98,200,216)
Decrease in inventories		32,187,342	(10,556,885)	46,006,041
Decrease (increase) in advances to related parties		(28,078,332)	37,552,234	10,936,542
Increase in other current assets		(286,008,378)	(487,359,666)	(182,755,992)
Increase in other non-current assets		(35,393,787)	50,026,479	(52,288,191)
Increase (decrease) in trade and other payables		266,067,249	227,863,458	(3,245,098)
Increase in advances from customers		(24,047,904)	88,218,430	135,941,414
Increase in other non-current liabilities		18,480,760	14,549,260	-
Cash generated from operations		470,358,351	320,120,504	93,531,617
Interest received		177,436	154,370	15,065
Cash paid for income taxes		(3,652)	(6,133,555)	(1,342)
Net Cash From Operating Activities		470,532,135	314,141,319	93,545,340
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of property and equipment	9	(150,777,594)	(7,337,542)	(2,703,014)
Proceeds from disposal of property and equipment	9	-	-	501,539
Net Cash From (Used in) Investing Activities		(150,777,594)	(7,337,542)	(2,201,475)
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayments of interest-bearing loans and borrowings	12	(166,662,371)	(192,403,818)	(141,228,427)
Interest paid		(251,002,787)	(91,718,779)	(62,465,609)
Repayments of advances from related parties	19	-	(8,052,828)	-
Proceeds from advances from related parties	19	-	-	82,146,592
Net Cash From (Used In) Financing Activities		(417,665,158)	(292,175,425)	(121,547,444)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(97,910,617)	14,628,352	(30,203,579)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		392,586,988	236,810,520	269,690,887
CASH AND CASH EQUIVALENTS AT END OF PERIOD		P 294,676,371	P 251,438,872	P 239,487,308

See Notes to Interim Consolidated Financial Statements.

CHELSEA LOGISTICS AND INFRASTRUCTURE HOLDINGS CORP. AND SUBSIDIARIES
(A Subsidiary of Udenna Corporation)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2024, 2023 AND 2022
(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 or the Parent Company)'s effective ownership interest in the Company from 70% in 2021 to 75% in 2022. In October 2023, CLC entered into debt to equity conversion agreements with two of its lenders as part of its liability management exercise, reducing Udenna's effective ownership interest to 72.55% (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 March 31, 2024 and December 31, 2023, the Company holds ownership interests in the following subsidiaries and associates:

Company Name	Explanatory Notes	Percentage of Ownership 2024	2023
Subsidiaries through direct interest:			
Chelsea Shipping Corp. (CSC)	*(a)*	**100%**	100%
Trans-Asia Shipping Lines, Incorporated (Trans-Asia)	*(b)*	**100%**	100%
Udenna Investments B. V. (UIBV)	*(c)*	**100%**	100%
Starlite Ferries, Inc. (Starlite)	*(d)*	**100%**	100%
Worklink Services, Inc. (WSI)	*(e)*	**100%**	100%
TASLI Services, Incorporated (TSI)	*(f)*	**100%**	100%
The Supercat Fast Ferry Corporation (SFFC)	*(g)*	**100%**	100%
Subsidiaries through indirect interest:			
Bunkers Manila, Inc. (BMI)[1]	*(h)*	**100%**	100%
Michael, Inc. (MI)[1]	*(i)*	**100%**	100%
PNX-Chelsea Shipping Corp. (PNX-Chelsea)[1]	*(j)*	**100%**	100%
Chelsea Ship Management & Marine Services Corp. (CSMMSC)[1]	*(k)*	**100%**	100%
Fortis Tugs Corporation (FTC)[1]	*(l)*	**100%**	100%
Davao Gulf Marine Services, Inc. (DGMSI)[2]	*(l)*	**100%**	100%
Chelsea Marine Manpower Resources, Inc. (CMMRI)[1]	*(m)*	**100%**	100%
Chelsea Dockyard Corporation (CDC)[1]	*(n)*	**100%**	100%
CD Ship Management and Marine Services Corp. (CDSMMSC)[1]	*(o)*	**100%**	100%
Chelsea Shipping and Logistics Singapore Pte. Ltd. (CSLSP)[1]	*(p)*	**100%**	100%
Quality Metals & Shipworks, Inc. (QMSI)[3]	*(q)*	**100%**	100%
Oceanstar Shipping, Inc. (Oceanstar)[3]	*(r)*	**100%**	100%
Dynamic Cuisine, Inc. (DCI)[3]	*(s)*	**100%**	100%
Starsy Shoppe, Inc. (SSI)[3]	*(t)*	**100%**	100%
Star Maritima Port and Allied Services (Star Maritima)[3]	*(u)*	**100%**	100%
Starbites Food Services Corp. (Starbites)[4]	*(v)*	**100%**	100%
Starlite Gallant Ferries, Inc. (SGFI)[4]	*(d)*	**100%**	100%
Starlite Premiere Ferries, Inc. (SPFI)[4]	*(d)*	**100%**	100%
Precision Supply Chain Solution, Inc.[4] (Precision)[4]	*(z)*	**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 2024	2023
Associates:			
Dito Holdings Corporation (DHC)	*(y)*	**8.59%**	8.59%

[1]*Wholly owned subsidiary of CSC*
[2]*Wholly owned subsidiary of FTC*
[3]*Wholly owned subsidiary of Trans-Asia*
[4]*Wholly owned subsidiary of Starlite*
[5]*60.29% owned by CLC and 39.71% owned by UIBV, based on voting rights*

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

(a) Incorporated on July 17, 2006 and is engaged in the business of maritime trade in the conveyance or carriage of petroleum products, goods, wares and merchandise of every kind, over domestic and international oceans, seas, lakes, rivers, canals, harbours, and other waterways in the Philippines.

(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 March 31, 2024, 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 March 31, 2024.

(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 March 31, 2024, 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. Starbites is also engaged in the business of providing commercial laundry cleaning, folding and ironing services, and selling and managing water refilling stations.

(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 March 31, 2024.

In 2023, the SEC approved the increase in authorized capital stock of DHC, which resulted in the dilution of the Company's ownership interest in DHC from 10.54% to 8.59% upon subscription by a third party of additional P2.2 billion in DHC. Such dilution did not result in cessation of significant influence of the Company over DHC.

(z) Incorporated on December 28, 2023 and is primarily engaged to provide complete foreign and domestic end to end logistics, and distribution services for any and all kinds of goods including last mile delivery through the use of all available motor vehicles and vessels, aircraft, and to operate the necessary warehouses in connection with said logistics and distribution services. Precision has not yet started commercial operations as of December 31, 2023.

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 Status of the Group's Operations

The continued rapid economic expansion in 2023 follows a strong rebound from the COVID-19 pandemic during 2022, which drove the pace of growth of the Philippines economy. Still, extraordinary conditions in early 2022 triggered by the Russia-Ukraine war caused unstable fuel prices, coupled with high interest rates and inflation, which continue to weigh down on the business and push back the projected business recovery of the Group. During the year, the Group aimed at various schemes meant to surmount these challenges and to warrant the sustainability of operations.

The following initiatives were implemented:

- Increased the number of vessels put into operation and/or trading status from 47 in 2022 to 49 in 2023 as funds become available to generate more revenues;
- Rationalized routes and deployed vessels to the most profitable routes;
- Reliable vessel schedule and load factor optimization;
- Expanding strategic partnerships;
- Reduced non-essential capital expenditure and deferred or cancelled discretionary spending;
- Development of skills and talent of personnel to fully utilize existing manpower and to motivate and improve the general well-being of the workforce;
- Divested certain investments and disposed underperforming and non-performing assets;
- Negotiated for longer payment terms with business partners, creditors and suppliers;
- Ongoing drive for innovation and digitalization to increase productivity and raise customer experience;
- Statutory compliance and risk-mitigation measures to establish sustainability; and
- Ongoing Liability Management Exercise (LME) with bankers and other financial institutions for the refinancing or restructuring of existing debt, or deferring payment of debt service.

With the Group's businesses strongly directed on recovery and driving steady growth, the Group thrives on the accomplishment of key strategic projects, furthering resilience alongside external pressures and improving long-term growth prospects. The Group are in talks with Japanese and Korean shipbuilding partners for additional roll-on/roll-off (RoRo) vessels to be funded by partners, to add to fleet to serve and expand the Group's ports of call.

Based on these factors, the Group projects sufficient cash flows to support its operations. 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 Interim Consolidated Financial Statements

The interim consolidated financial statements of the Group as of and for the three months ended March 31, 2024 (including the comparative consolidated financial statements as of December 31, 2023 and for the three months ended March 31, 2023 and 2022) were authorized for issue by the Company's Board of Directors (BOD) on August 2, 2024.

2. MATERIAL ACCOUNTING POLICY INFORMATION

The material 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 Sustainability Reporting Standards Council (FSRSC) 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 2023 that are Relevant to the Group*

The Group adopted for the first time the following amendments, which are mandatorily effective for annual periods beginning on or after January 1, 2023:

PAS 1 and PFRS Practice Statement 2 (Amendments)	:	Presentation of Financial Statements – Disclosure of Accounting Policies
PAS 8 (Amendments)	:	Definition of Accounting Estimates
PAS 12 (Amendments)	:	Deferred Tax Related to Assets and Liabilities from a Single Transaction

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

(i) PAS 1 and PFRS Practice Statement 2 (Amendments*), Presentation of Financial Statements – Disclosure of Accounting Policies*. The amendments replaced the requirement for entities to disclose their significant accounting policies with the requirement to disclose their material accounting policy information. The amendments also include guidance to help entities apply the definition of material in making decisions about accounting policy disclosures.

The amendments clarify that accounting policy information may be material because of its nature, even if the related amounts are immaterial, that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements and if an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information. The application of these amendments is reflected in the Group's consolidated financial statements under Notes 2 and 3.

(ii) PAS 8 (Amendments), *Definition of Accounting Estimates*. The amendments introduced a new definition of accounting estimate which is a monetary amount in the financial statements that are subject to measurement uncertainty. It also clarifies that a change in accounting estimate that results from new information or new developments is not a correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. The application of these amendments had no significant impact on the Group's consolidated financial statements.

(iii) PAS 12 (Amendments), *Deferred Tax Related to Assets and Liabilities from a Single Transaction*. The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense). Management assessed that the application of such amendments had no significant impact on the Group's consolidated financial statement.

(b) Effective in 2023 that is not Relevant to the Group

Among the amendments to PFRS which are mandatorily effective for annual periods beginning on or after January 1, 2023, the amendments to PAS 12, *International Tax Reform – Pillar Two Model Rules*, are not relevant to the Group's consolidated financial statements.

(c) Effective Subsequent to 2023 but not Adopted Early

There are amendments to existing standards effective for annual periods subsequent to 2023, which are adopted by the FSRSC. 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, 2024)

(ii) PAS 1 (Amendments), *Presentation of Financial Statements – Non-current Liabilities with Covenants* (effective from January 1, 2024)

(iii) PAS 7 (Amendments), *Cash Flow Statements* and PFRS 7 (Amendments), *Financial Instruments: Disclosures – Supplier Finance Arrangements* (effective from January 1, 2024)

2.3 Basis of Consolidation

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

(a) Investments in Subsidiaries

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 2.10).

(b) Investments in Associates and a Joint Venture

Investments in associates are initially recognized at cost and subsequently accounted for using the equity method.

2.4 Financial Assets

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.

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.

The Group applies the simplified approach in measuring ECL for its trade receivables. 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 three stages using the general approach. 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.

2.5 Inventories

The net realizable value of fuel and spare parts inventories is the current replacement cost.

2.6 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.

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 2.7).

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).

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.

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 and other direct costs.

2.7 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 2.6). 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 2.6).

2.8 Investment Properties

CIP represents an investment property under construction and is stated at cost.

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.

2.9 Financial Liabilities

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 2.13). 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. 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.

2.10 Business Combinations

Business combination involving entities under common control are accounted for under the pooling of interest method.

All other business combinations are accounted for using the acquisition method.

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.

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.

2.11 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.

2.12 Revenue and Expense Recognition

The Group 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 2.13(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) *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.

2.13 Leases

(i) Group as Lessee

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.

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.

(i) Group as Lessor

The Group applies judgment in determining whether a lease contract is a finance or operating lease (see Note 3.1).

2.14 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.

2.15 Employee Benefits

The Group provides post-employment benefits to employees through a defined benefit plan and defined contribution plan, share-based compensation and other employee benefits.

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 Group grants share options to qualified employees eligible under a stock option plan.

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 2023 (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.

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.

(e) *Distinction Between Operating and Finance Leases where the Group is a Lessor*

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

(f) *Capitalization of Borrowing Costs*

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

(g) *Distinction between Investment Properties and Owner-managed Properties*

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

(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

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.

Judgment is exercised by management to distinguish between provisions and contingencies. Relevant disclosures are presented in Note 22.

(j) Application of ECL on Receivables and Advances to Related Parties

The Group uses modified loss rate to calculate ECL for all financial assets at amortized cost other than advances to related parties. The allowance for impairment is based on the ECLs associated with the probability of default of a financial instrument in the next 12 months, which is equal to the lifetime ECL.

For 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 advances to related parties, which are repayable on demand, the contractual period is the very short period needed to transfer the cash once demanded. The management's assessment for possible impairment is based on the sufficiency of the related parties' 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.

The Group has established a policy to perform an assessment, at the end of each reporting period, whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

As of March 31, 2024, and December 31, 2023, the Group has provided allowance for impairment amounting to P1,063.7 million and P1,063.3 million, respectively (see Note 5).

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 2023 and 2022.

(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 2023 and 2022, 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 in fair value measurement 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 2.14). 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.

(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 in 2022 (see Note 20.5). There were no amendments made to the ESOP in 2024 and 2023.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components:

	2024	2023
Cash on hand and in banks	**P 281,509,848**	P 344,414,084
Short-term placements	**13,166,523**	48,172,904
	P 294,676,371	P 392,586,988

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 2024, 2023 and 2022.

The balances of cash and cash equivalents as of March 31, 2024 and December 31, 2023 did not include cash in bank amounting to amount of P35.2 million and P7.2 million in 2024 and 2023, 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:

	Notes	2024	2023
Trade receivables	9, 19.1		
Third parties		**P 1,453,183,867**	P 1,509,275,142
Related parties		**64,184,585**	64,184,585
Due from agencies		**68,739,070**	53,215,701
Advances to officers and employees		**33,083,854**	28,717,705
Claims receivables		**4,916,585**	4,779,384
Others		**32,996,321**	25,943,988
		1,657,104,282	1,686,116,505
Allowance for ECL		**(1,063,747,977)**	(1,063,260,048)
		P 593,356,305	P 622,856,457

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).

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.

6. INVENTORIES

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

	Note	2024	2023
Spare parts		**P 150,323,827**	P 141,515,670
Fuel and lubricants	19.2	**33,615,504**	84,311,925
Shipping supplies		**42,642,790**	40,046,800
Food, beverage and other supplies		**13,862,646**	6,757,714
		P 240,444,767	P 272,632,109

As of March 31, 2024 and December 31, 2023, 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, *Property, Plant and Equipment*.

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 March 31, 2024 and December 31, 2023, 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 March 31, 2024 and December 31, 2023 follows:

	Note	2024	2023
Advances to suppliers		**P 626,898,635**	P 499,987,908
Creditable withholding taxes		**483,109,968**	466,286,132
Input VAT		**492,387,962**	446,058,026
Deferred input VAT		**426,571,022**	412,132,136
Prepayments		**262,637,608**	200,589,971
Restricted cash	4	**26,282,411**	6,825,054
		P 2,317,887,606	P 2,031,879,227

Advances to suppliers pertains to the Group's advance payments for the purchases of goods and services, other than those capitalizable purchases, that are yet for delivery or to be performed to the Group.

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(b.3)].

8. INVESTMENT PROPERTIES

The Group's investment properties include a parcel of land located at Brgy. Ligid-Tipas, Taguig City. 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 deemed that the use of the properties is currently undetermined.

The property of the Group with net carrying amount of P1,270.9 million as of March 31, 2024 and December 31, 2023, respectively, was used as a collateral to secure payment of the Company's term loan [see Note 12.1(b.3)].

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 2023 and 2022 are shown below.

	Land	Vessels and Vessel Equipment	Transportation Equipment	Building and Leasehold Improvements	Office Furniture, Fixture and Equipment	3,619,673,550 Right of Use Assets	CIP	Total
March 31, 2024								
Cost or revalued amounts	P 213,761,703	P 29,820,689,837	P 186,557,367	P 235,890,042	P 179,910,619	P 3,615,407,688	P 243,786,581	P 34,496,003,837
Accumulated depreciation and amortization	-	(14,648,261,768)	(167,402,635)	(97,642,107)	(168,637,548)	(670,701,060)	-	(15,752,645,118)
Accumulated impairment losses	-	(786,344,855)	-	-	-	-	-	(786,344,855)
Net carrying amount	**P 213,761,703**	**P 14,386,083,214**	**P 19,154,732**	**P 138,247,935**	**P 11,273,071**	**P 2,944,706,628**	**P 243,786,581**	**P 17,957,013,864**
December 31, 2023								
Cost or revalued amounts	P 213,761,703	P 29,662,452,335	P 187,132,367	P 233,428,856	P 178,866,690	P 3,615,407,688	P 210,895,053	P 34,301,944,692
Accumulated depreciation								-
and amortization	-	(14,323,918,649)	(165,339,519)	(93,831,584)	(166,444,920)	(625,605,359)	-	(15,375,140,031)
Accumulated impairment losses	-	(786,344,855)	-	-	-	-	-	(786,344,855)
Net carrying amount	P 213,761,703	P 14,552,188,831	P 21,792,848	P 139,597,272	P 12,421,770	P 2,989,802,329	P 210,895,053	P 18,140,459,806
January 1, 2023								
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	-	(770,425,277)	-	-	-	-	-	(770,425,277)
Net carrying amount	P 213,761,703	P 14,446,122,316	P 39,312,201	P 147,962,916	P 16,249,410	P 3,347,050,936	P 207,129,013	P 18,417,588,495

A reconciliation of the carrying amounts of property and equipment at the beginning and end of March 31, 2024 and December 31, 2023 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, 2024, net of accumulated depreciation and amortization and impairment losses	P 213,761,703	P 14,552,188,831	P 21,792,848	P 139,597,272	P 12,421,770	P 2,989,802,329	P 210,895,053	P 18,140,459,806
Additions	-	158,237,502	-	2,461,186	1,043,929		32,891,528	194,634,145
Depreciation and amortization charges for the year	-	(324,343,119)	(2,638,116)	(3,810,523)	(2,192,628)	(45,095,701)	-	(378,080,087)
Balance at March 31, 2024, net of accumulated depreciation and amortization and impairment losses	**P 213,761,703**	**P 14,386,083,214**	**P 19,154,732**	**P 138,247,935**	**P 11,273,071**	**P 2,944,706,628**	**P 243,786,581**	**P 17,957,013,864**
Balance at January 1, 2023, net of accumulated depreciation and amortization and impairment losses	P 213,761,703	P 14,446,122,316	P 39,312,201	P 147,962,916	P 16,249,410	P 3,347,050,936	P 207,129,013	18,417,588,495
Additions	-	439,785,509	1,178,571	5,270,506	7,404,690	17,843,959	172,359,763	643,842,998
Revaluation increment - net	-	839,224,129	-	-	-	-	-	839,224,129
Reclassification	-	320,485,186	-	-	-	(151,891,463)	(168,593,723)	-
Lease termination	-	-	-	-	-	(12,882,780)	-	(12,882,780)
Disposals - net	-	(377,008,890)	(4,935,487)	-	-	-	-	(381,944,377)
Impairment losses	-	(15,919,578)	-	-	-	-	-	(15,919,578)
Depreciation and amortization charges for the year	-	(1,100,499,841)	(13,762,437)	(13,636,150)	(11,232,330)	(210,318,323)	-	(1,349,449,081)
Balance at December 31, 2023, net of accumulated depreciation and amortization and impairment losses	P 213,761,703	P 14,552,188,831	P 21,792,848	P 139,597,272	P 12,421,770	P 2,989,802,329	P 210,895,053	P 18,140,459,806

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

Name of Vessel	Date of Report	Net Appraised Values
M/Tug Fortis VI	February 24, 2024	P 47,645,000
M/Tug Dav Tug XI	February 19, 2024	21,872,000
MT Global Dominance	February 20, 2024	388,969,000
M/Tug Fortis VII	February 19, 2024	24,272,000
MV Asia Philippines	February 16, 2024	74,038,000
M/Tug Fortis X	February 14, 2024	49,959,000
MV San Nicolas of Myra	February 13, 2024	201,708,000
MV Starlite Tamaraw	February 8, 2024	28,772,000
MV Starlite Pacific	February 7, 2024	35,520,000
MV Trans-Asia 17	February 2, 2024	345,299,000
MT BMI Patricia	February 2, 2024	10,745,000
MT Chelsea Intrepid	February 2, 2024	24,559,000
MV Asia Pacific	January 31, 2024	71,160,000
MV Trans-Asia 10	January 31, 2024	321,747,000
MV Trans-Asia 2	January 31, 2024	130,186,000
MV Trans-Asia 16	January 30, 2024	213,601,000
MT Ernesto Uno	January 12, 2024	78,609,000
MT Chelsea Resolute	January 11, 2024	80,475,000
MT Great Princess	January 11, 2024	801,544,000
MT Maria (Chelsea Denise II)	January 10, 2024	440,000,000
MT Chelsea Jasaan	January 9, 2024	47,787,000
MV St. Emmanuel	January 4, 2024	100,000,000
MV St. Micah	January 4, 2024	103,000,000
M/Tug Orishima	January 3, 2024	8,000,000
M/Tug Fortis XI	January 3, 2024	61,000,000
M/Tug Fortis IX	January 3, 2024	76,000,000
MV Starlite Eagle	December 29, 2023	442,963,000
MT Chelsea Denise	December 29, 2023	181,000,000
MV Starlite Reliance	November 10, 2023	442,185,000
MV Starlite Stella Maris	November 10, 2023	533,652,000
MT Chelsea Excellence	November 9, 2023	117,000,000
MV Trans-Asia 19	November 6, 2023	758,740,000

Name of Vessel	Date of Report		Net Appraised Values
Mt Chelsea Providence	September 20, 2023		1,816,640,000
MT Chelsea Charlize	September 18, 2023		204,800,000
M/Tug Fortis I	July 31, 2023		25,354,000
MT Chelsea Enterprise	April 22, 2023		96,500,000
MV Trans-Asia 15	March 10, 2023		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 TA 20	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 Global Cherylyn	November 4, 2022		851,253,000
M/Tug Pindasan	October 24, 2022		46,600,000
M/Tug Samal	October 24, 2022	P	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 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
MV Starlite Salve Regina	February 14, 2022		742,782,000
M/Tug Fortis VIII	February 11, 2022		39,164,000
MV Starlite Stella Del Mar	January 7, 2022		535,671,000
MV Starlite Archer	January 6, 2022		487,634,000
M/Tug Fortis II	September 15, 2021		39,071,000

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, M/Tug Fortis II is still undergoing extended drydocking as of December 31, 2023; hence, no latest appraisal is 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 March 31, 2024 and December 31, 2023 are as follows:

	2024	2023
Cost	**P18,182,888,379**	P18,024,650,877
Accumulated depreciation	**(6,321,425,747)**	(6,014,861,647)
Accumulated impairment losses	**(786,344,855)**	(786,344,855)
Net carrying amount	**P11,075,117,777**	P11,223,444,375

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	**2024**	2023	2022
Cost of sales and services	14	**P 363,779,436**	P 340,555,801	P 287,014,417
Other operating expenses		**14,300,651**	17,437,872	25,153,334
	15	**P 378,080,087**	P 357,993,673	P 312,167,751

Certain vessels of the Group with a total net carrying amount of P12,124.3 million and P12,168.8 million as of March 31, 2024 and December 31, 2023, respectively, were used to secure the payment of certain interest-bearing loans and borrowings (see Note 12). There were no capitalized borrowing costs in 2024 and 2023.

Certain vessels of the Group with a total net carrying amount of P875.9 million and P714.3 million were temporarily idle and laid up as of March 31, 2024 and December 31, 2023, respectively.

10. INVESTMENTS IN ASSOCIATES AND A JOINT VENTURE

10.1 Investment in 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 March 31, 2024 and December 31, 2023 and is presented as Subscription payable under Trade and Other Payables in the consolidated statements of financial position (see Note 13). In 2023, a third party subscribed to the additional common shares in DHC, causing the dilution of the Group's effective ownership from 10.54% in 2022 to 8.59%. Management assessed that the Group still exercises significant influence over DHC; hence, is still recognized as an investment in associate [see Note 3.1(d)].

The carrying amount of the identifiable assets and liabilities of the associates upon acquisition approximates their respective fair values.

DHC is in net capital deficiency as of March 31, 2024 and December 31, 2023.

No dividends were received from the Group's associate in 2024 and 2023. The Group's associates are private companies; 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.

In 2023, management terminated the agreement with Meridian in which CSC recognized a full impairment of its investment in the joint venture amounting to P81.0 million and is presented as Impairment loss on Investment in Joint Venture under Other Income (Charges) account in the 2023 consolidated statement of profit or loss.

11. OTHER NON-CURRENT ASSETS

This account is composed of the following:

	Notes	**2024**	2023
Advances to suppliers	22.5	**P 591,257,531**	P 527,742,418
Deferred input VAT		**131,638,639**	114,906,491
Deferred charges	7	**56,401,126**	56,401,126
Security deposits	19.3	**51,039,930**	50,355,290
Software, net of amortization		**28,960,294**	30,464,845
Restricted cash	4	**8,906,541**	335,112
		P 868,204,061	P 780,205,282

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.

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 2023 and 2022 is shown below.

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	**2024**	2023
Current:			
Bank loans	12.2	**P 2,835,702,483**	P 3,008,112,614
Term loans	12.1	**956,669,755**	624,924,006
Lease liabilities	12.4	**167,090,275**	202,359,755
Mortgage loans	12.3	**32,607,004**	20,297,990
		3,992,069,517	3,855,694,365
Non-current:			
Term loans	12.1	**10,001,418,375**	10,370,290,499
Lease liabilities	12.4	**2,501,451,220**	2,536,122,093
Mortgage loans	12.3	**135,839,298**	153,709,019
Bank loans	12.2	**240,885,558**	122,510,363
		12,879,594,451	13,182,631,974
		P16,871,663,968	P 17,038,326,339

The Group has taken necessary steps to manage the impact of the COVID-19 pandemic on its financial condition, including negotiating with 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.

On October 2023, the Company entered into Subscription and Debt Conversion Agreements with certain private institutional lenders. As a result, the outstanding loan amounting to P233.4 million has been derecognized and converted through the issuance of 77,791,000 shares of the Company (see Note 20.1).

A reconciliation of the carrying amounts of interest-bearing loans and borrowings at the beginning and end of March 31, 2024, 2023 and 2022 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, 2024	P 10,995,214,505	P 3,130,622,977	P 174,007,009	P 2,738,481,848	P 17,038,326,339
Cash flows from financing activities:					
Repayments	(37,126,375)	(54,034,936)	(5,560,707)	(69,940,353)	(166,662,371)
	(37,126,375)	(54,034,936)	(5,560,707)	(69,940,353)	(166,662,371)
Balance at March 31, 2024	**P 10,958,088,131**	**P 3,076,588,041**	**P 168,446,302**	**P 2,668,541,495**	**P 16,871,663,968**
Balance as of January 1, 2023	P 10,618,240,263	P 4,333,388,044	P 184,109,308	P 2,935,096,174	P 18,070,833,789
Cash flows from financing activities:					
Additions	425,000,000	-	-	-	425,000,000
Repayments	(245,248,295)	(271,392,067)	(11,026,299)	(183,433,720)	(711,100,382)
	179,751,705	(271,392,067)	(11,026,299)	(183,433,720)	(286,100,382)
Non-cash financing activities:					
Extinguishment of loan	(335,288,970)	-	-	-	(335,288,970)
Gain on debt modification - net	(241,501,013)	-	-	-	(241,501,013)
Debt to equity conversion	-	(233,373,000)	-	-	(233,373,000)
Reclassification	774,851,371	(698,000,000)	-	-	76,851,371
Termination of lease	-	-	-	(19,074,562)	(19,074,562)
Additions	-	-	924,000	14,665,944	15,589,944
Restatement of foreign currency denominated loans	(838,850)	-	-	(8,771,987)	(9,610,837)
denominated loans					-
Amortization of premium on loans payable					-
	197,222,537	(931,373,000)	924,000	(13,180,606)	(746,407,068)
Balance at December 31, 2023	P 10,995,214,505	P 3,130,622,977	P 174,007,009	P 2,738,481,848	P 17,038,326,339

12.1 Term Loans

The details of the Group's term loans as of March 31, 2024 and December 31, 2023 are as follows:

	Notes	Security	Terms	Interest Rates	Outstanding Balance March 31, 2024	Outstanding Balance December 31, 2023
China Banking Corporation (CBC)	(b.1)	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 Assignment of receivables	7 years	5.00%	**P 1,926,396,728**	P 1,926,396,728
Development Bank of the Philippines (DBP)	(f.4)	MT Chelsea Providence, MT Chelsea Cherylyn, MV Starlite Stella Maris, Corporate/Continuing Suretyship	15 years	5.00%	**1,817,060,107**	1,818,060,107
Philippine Business Bank (PBB)	(c.2)	MV Eagle, MV Archer, MV Saturn	8 years	3.00% - 7.00%	**818,566,141**	823,893,366
CBC	(b.3)	REM	15 years	7.25%	**800,000,000**	800,000,000
Amalgamated Investment Bancorporation (AIB)	(i)	Unsecured	9 years	6.48%	**576,851,371**	576,851,371
DBP	(f.3)	Trans - Asia 16, 17 and 18 Corporate/Continuing Suretyship	15 years	5.00%	**549,807,588**	549,807,588
PBB	(c.4)	MV Salve Regina	8 years	3.00% - 7.00%	**463,944,377**	467,888,754
DBP	(f.1)	Corporate/Continuing Suretyship MV Pioneer, MV Reliance	15 years	5.00%	**450,514,005**	450,514,006
PBB	(c.1)	MT Chelsea Dominance MT Chelsea Endurance	8 years	3.00% - 7.00%	**442,696,689**	442,696,689
Asia United Bank (AUB)	(d.2)	MTug Fortis I, MTug Fortis II MTug Fortis III, Mtug Fortis V MTug Fortis VI, Mtug Fortis VII MTug Fortis IX, Mtug Fortis X	6 years	4.00%	**425,000,000**	425,000,000
DBP	(f.2)	Corporate/Continuing Suretyship MV St. Nicholas of Myra Assignment of receivables	15 years	5.00%	**415,100,000**	415,100,000
BDO Unibank, Inc. (BDO)	(a)	Trans - Asia 1, 8, 9 and 10, CY3 REM, Continuing suretyship	6 years	6.50%	**373,655,399**	383,548,077
PBB	(c.3)	MV Stella Del Mar	8 years	3.00% - 7.00%	**312,035,533**	314,848,713
DBP	(f.5)	Corporate/Continuing Suretyship MV St. Camael and MV St. Sariel	15 years	5.00%	**300,086,565**	300,086,565
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
Union Bank of the Philippines (UB)	(j)	Continuing Suretyship	9 years	3.00%	**198,000,000**	198,000,000
First Commercial Bank, Ltd. (FCB)	(e)	Pledge of shares, Continuing Suretyship	5 years	6.37%	**165,000,000**	165,000,000
CBC	(b.2)	Trans - Asia 2, 3, 5, 12 and 15	10 years	5.75%	**161,393,098**	161,393,098
Rizal Commercial Banking Corp.	(g)	Starlite Sprint I	7 years	9.50%	**105,074,977**	105,074,977
PBB	(c.5)	Pledge of shares of stocks	8 years	11.00%	**47,979,553**	52,788,650
AUB	(d.1)	MTug Fortis IX, MTug Fortis X, Assignment of receivables	7 years	8.02%	**18,690,597**	23,049,963
AUB	(d.1)	MTug Fortis VI, MTug Fortis VII MTug Fortis VIII, Assignment of receivables	7 years	8.11%	**20,845,468**	20,845,468
AUB	(d.1)	MTug Fortis III and MTug Fortis V, Assignment of receivables	7 years	5.56%	**5,031,929**	7,613,562
					11,136,230,125	11,170,957,683
Net premium (discount) on loans payable					**(178,141,995)**	(175,743,178)
					P 10,958,088,130	P 10,995,214,505

(a) Term Loan Agreement (TLA) with BDO - 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 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 P478.2 million and P457.8 million as of March 31, 2024 and December 31, 2023, 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 in March 31, 2024 and December 31, 2023, respectively (see Note 9). These loans do not contain any financial covenants.

(b) 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 January 23, 2018, the Company's BOD approved the transfer of the loan to CSC.

On October 1, 2020, the bank approved 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 P1,387.9 million and P1,416.9 million as of March 31, 2024 and December 31, 2023, respectively. The loan is also secured by a continuing suretyship by the Company and Parent Company, and assignment of certain receivables amounting to P250.2 million as of March 31, 2024 and December 31, 2023 (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 13^{th} 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 13^{th} month of the drawdown. These loans do not contain any financial covenants.

Certain vessels with a net carrying amount of P220.1 million and P228.6 million as of March 31, 2024 and December 31, 2023, 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 March 31, 2024 and December 31, 2023, WSI has no loan drawdowns and 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 as of March 31, 2024 and December 31, 2023 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 an eight-year term loan, inclusive of two years grace period on principal collection. The restructured loan bears lower interest rates for two years, collected quarterly in arrears, to be recaptured annually until the loan matures, 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 P687.6 million and P694.5 million, as of March 31, 2024 and December 31, 2023, 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 two years grace period on principal collection. The restructured loan bears lower annual interest rate for two years, collected quarterly in arrears, to be recaptured annually until the loan matures, 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 P1,241.9 million and P1,228.2 million as of March 31, 2024 and December 31, 2023, 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 eight-year term loan, inclusive of two years grace period on principal collection. The restructured loan bears lower annual interest rate for 2 years, collected quarterly in arrears, to be recaptured annually until the loan matures, 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 P507.2 million and P510.7 million as of March 31, 2024 and December 31, 2023, 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 an eight-year term loan, inclusive of two years grace period on principal collection. The restructured loan bears lower annual interest rate for two years, collected quarterly in arrears, to be recaptured annually until the loan matures, 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 P742.1 million and P742.9 million as of March 31, 2024 and December 31, 2023 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 P135.7 million as of March 31, 2024 and December 31, 2023, respectively [see Note 19.9(a)].

(d) TLA with AUB

d.1 FTC – 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 P47.7 million and P44.9 million as of March 31, 2024 and December 31, 2023, 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 P203.7 million and P220.8 million as of March 31, 2024 and December 31, 2023, respectively, were used as collateral to secure the payment of these loans (see Note 9). The loans do not include any financial covenants.

d.2 SFI

On October 27, 2023, SFI obtained interest-bearing loans amounting to P425.0 million to support the working capital requirement of the company. The loan bears fixed interest rate of 4.0% and the principal is payable in 72 months in equal monthly installment with grace period of one year.

Certain tugboats of FTC with net carrying amount of P103.3 million and P110.2 million as of March 31, 2024, and December 31, 2023, respectively, were used as collateral to secure the payment of these loans. The loan does 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 three-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 five-year term loan, inclusive of two years grace period on principal collection. The restructured loan bears lower interest rate for the first year, collected quarterly in arrears, to be recaptured annually on the 5^{th} year, 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 the first year, 1% on second year, 2% on third, 7% on fourth and balloon payment at the end of the fifth year.

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

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.

On May 23, 2023, DBP approved the waiver of SFI's compliance with the current ratio for 2023 up to its maturity, meanwhile, compliance with the debt-to-equity ratio and DSCR was temporary waived for 2023 only.

On October 24, 2023, DBP and SFI amended the loan agreement in 2016 in which the former approved the principal repayment of the outstanding principal amount beginning in 2025 in sculpted quarterly amortizations to commence at the end of the 1st quarter after the two year grace period until fully paid. Interest for the first 3 years is fixed at 5.0% per annum, but SFI will only pay 3% p.a., and the 2% is amortized over three years starting on the 4th year, without interest on interest. The interest for the 4th year and onwards is fixed for one year based on a 1-year BVAL rate plus a spread with a floor rate of 5% per annum, reviewable annually.

The amendment in the agreement also requires Starlite to maintain a debt-to-equity ratio of 2.33:1.00 starting the year 2029 up to the remaining term of the loan and a DSCR of at least 1.00 starting the year 2024.

A corporate suretyship by the Company and certain vessels of Starlite with net carrying amounts of P805.6 million and P806.6 million as of March 31, 2024 and December 31, 2023, respectively, were used as collateral to secure the payment of these loans (see Note 9).

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. The agreement requires PNX-Chelsea to maintain debt-to-equity ratio of not more than 2.34:1.00.

On May 23, 2023, DBP approved the waiver of PNX's compliance with the financial covenants for 2023 up to its maturity on March 26, 2033.

On October 24, 2023, DBP and PNX amended the loan agreement in 2018 in which the former approved the principal repayment of the outstanding principal amount beginning in 2025 in sculpted quarterly amortizations to commence at the end of the 1st quarter after the two-year grace period until fully paid. Interest for the first three years is fixed at 5.0% per annum, but PNX-Chelsea will only pay 3% p.a. and the 2% p.a. is amortized over three years starting on the 4th year, without interest on interest. The interest for the 4th year and onwards is fixed for one year based on a 1-year BVAL rate plus spread with a floor rate of 5% per annum, reviewable annually.

Certain vessels of PNX-Chelsea with net carrying amounts of P228.4 million and P205.9 million as of March 31, 2024 and December 31, 2023, respectively, were used as collateral to secure the payment of these loans (see Note 9). The restructured loan is also secured by a continuing suretyship by the Company and chairman of the BOD of the Company.

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.

On May 23, 2023, DBP approved the waiver of Trans-Asia's compliance with the current ratio for 2023 up to its maturity, meanwhile, compliance with the debt-to-equity ratio and DSCR was temporary waived for 2023 only.

On October 24, 2023, DBP and Trans-Asia amended the loan agreement in 2018 in which the former approved the principal repayment of the outstanding principal amount beginning in 2025 in sculpted quarterly amortizations to commence at the end of the 1st quarter after the two-year grace period until fully paid. Interest for the first 3 years is fixed at 5.0% per annum, but Trans-Asia will only pay 3% p.a. and the 2% p.a. is amortized over three years starting on the 4th year, without interest on interest. The interest for the 4^{th} year and onwards is fixed for one year based on a 1-year BVAL rate plus a spread, with a floor rate of 5% per annum, reviewable annually.

The amendment in the agreement also requires Trans-Asia to maintain a debt-to-equity ratio of 2.33:1.00 starting year 2031 up to the remaining term of the loan, and DSCR of at least 1.00 starting the year 2024.

Certain vessels of Trans-Asia with net carrying amounts of P1,113.0 million and P1,062.8 million as of March 31, 2024 and December 31, 2023, respectively, were used as collateral to secure the payment of these loans (see Note 9). The restructured loan is also secured by a continuing suretyship by the Company and chairman of the BOD of the Company.

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.

On August 15, 2023, DBP approved the waiver of CSC's compliance with the financial covenants for 2023 up to its maturity on December 31, 2035.

On October 24, 2023, DBP and CSC amended the restructuring agreement in 2021 in which the former approved the sculpted principal repayment of the outstanding principal amount beginning in 2023 until year 14. Interest for the first 3 years is fixed at 5.0% per annum, but CSC will only pay 3% p.a. and the 2% p.a. is amortized over three years starting on the 4th year, without interest on interest. The interest for the 4th year and onwards is fixed for one year based on a 1-year BVAL rate plus a spread, with a floor rate of 5% per annum, reviewable annually.

Certain vessels of CSC, PNX-CSC and SGFI with net carrying amount of P3,094.4 million and P3,162.6 as of March 31, 2024 and December 31, 2023, respectively, was used as collateral to secure the payment of these loans (see Note 9). Certain trade receivables amounting to P45.1 million and P44.4 million as of March 31, 2024 and December 31, 2023, 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. 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.

On May 23, 2023, DBP approved the waiver of SFFC's compliance with the debt-to-equity ratio for 2023.

On October 24, 2023, DBP and SFFC amended the loan agreement in 2016 in which the former approved the principal repayment of the outstanding principal amount beginning in 2025 in sculpted quarterly amortizations to commence at the end of the 1st quarter after the two-year grace period until fully paid. Interest for the first 3 years is fixed at 5.0% per annum, but SFFC will only pay 3% p.a. and 2% p.a. is amortized over three years starting on the 4th year, without interest on interest. The interest for the 4th year and onwards is fixed for one year based on a 1-year BVAL rate plus a spread, with a floor rate of 5% per annum, reviewable annually.

Certain vessels of SFFC with net carrying amount of P365.2 million and P370.1 million as of March 31, 2024 and December 31, 2023, respectively, was used as collateral to obtain this loan. The restructured loan is also secured by a continuing suretyship by the Company and the Chairman of the BOD of the Company.

(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.

On July 24, 2023, Starlite entered into a loan restructuring agreement with RCBC to restructure its outstanding loan amounting to P105.1 million. The restructured loan bears lower annual interest rate applicable for the first three years, to be recaptured annually until year 5. The principal is payable on graduated amounts with balloon payment on the last principal repayment date and inclusive of 2 2-year grace period from July 2022. The restructured loan does not include any financial covenant.

The vessel of Starlite with net carrying amounts of P127.2 million and P129.8 million as of March 31, 2024 and December 31, 2023, 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 is guaranteed by the CLC and includes covenants as to restriction on additional indebtedness of CDC, among others. Such covenant has been breached due to an additional loan obtained by CDC. The loan has been fully settled in 2023.

(i) TLA with AIB - CLC

On March 31, 2023, CLC entered into a term loan agreement with AIB to restructure the Company's outstanding bank loan and unpaid interest amounting to P500.0 million and P60.4 million, respectively (see Note 12.2). The restructured loan bears lower annual interest rate applicable for year 1, collected quarterly in arrears, to be recaptured at a target rate in year 9, with annual repricing based on BVAL plus a fixed interest rate ending on the 3^{rd} year. The principal is payable on installment based on the outstanding principal amount from the amended date in sculpted repayments until the maturity of the loan. The loan does not include any financial covenant.

(j) ***TLA with UB – CSC***

On April 18, 2023, CSC entered into a term loan agreement with UB to restructure the Company's outstanding bank loan amounting to P198.0 million (see Note 12.2). The restructured loan bears an annual interest rate of 3.00% applicable for year 1, collected quarterly in arrears, to be recaptured with a target rate of 10.00% per annum in year 9. The principal is payable on installment based on the outstanding principal amount from the amended date in sculpted repayments until the maturity of the loan. 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 except that in 2024, 2023, and 2022 [(see *b.1*, *b.3, e*)], 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 March 31, 2024 and December 31, 2023, 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.

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 March 31, 2024 and December 31, 2023 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:

				Outstanding Balance	
	Security	**Terms**	**Interest Rates**	**March 31, 2024**	December 31, 2023
Landbank of the Philippines	MT Chelsea Intrepid MT BMI Patricia Assignment of receivables Continuing suretyship	90 days	3.00 -6.75%	**P 1,318,892,851**	P 1,327,834,768
Primary Institutional Lenders	MV TA21 and Pledge of shares	30 to 180 days	1.00 to 10.00%	**594,619,693**	608,109,693
CBC	Trans-asia 2, Trans-Asia 3, Trans-Asia 5, Trans-Asia 12, Trans-Asia 15	60 days	5.75%	**500,000,000**	500,000,000
PBB	Unsecured	180 days	7.50%	**455,000,000**	485,000,000
Pentacapital	Assignment of receivables	360 days	7.00%	**208,075,497**	209,678,517
				P 3,076,588,041	P 3,130,622,977

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 P801.1 million and P685.7 million as of March 31, 2024 and December 31, 2023, 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 March 31, 2024 and December 31, 2023 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 March 31, 2024	Outstanding Balance December 31, 2023
BDO	Real Estate Mortgage	10 years	6.75%	**P 157,790,370**	P 161,867,641
Toyota Financials	Chattel Mortgage on Transportation Equipment	3 years	10.07%	**7,789,819**	10,537,049
BDO	Chattel Mortgage on Transportation Equipment	3 years	8.51%	**1,688,083**	300,929
Eastwest	Chattel Mortgage on Transportation Equipment	3 years	9.71%	**1,178,030**	1,301,390
				P 168,446,302	P 174,007,009

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 2023 and 2022. 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 P230.2 million and P253.0 million as of March 31, 2024 and December 31, 2023, 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.

Certain lease with termination option by the Group were exercised but no additional liabilities were charged to the companies. 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.

As of March 31, 2024 and December 31, 2023, the Group had not committed to any leases, which had not commenced.

13. TRADE AND OTHER PAYABLES

This account consists of:

	Notes	2024	2023
Trade payables	8, 19.2	**P 5,956,440,075**	P 5,820,650,544
Accrued expenses	12, 19.2	**2,107,570,238**	2,044,474,354
Subscription payable	10.1	**781,249,998**	781,249,998
Deferred output VAT		**521,666,471**	510,802,393
Non-trade payables	19.6	**500,000,000**	500,000,000
Government-related obligations		**349,961,143**	301,935,802
Output VAT payable		**290,527,557**	241,053,686
Deferred income		**6,552,315**	12,365,370
Provisions	22.3	**610,389**	610,389
Others	9	**59,018,717**	35,119,694
		P10,573,596,903	P10,248,262,229

Subscription payable pertains to the amount of subscribed shares on the Group's investments in associate that remains unpaid as of March 31, 2024 and December 31, 2023 (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, fines and penalties related to taxes, 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 three months ended December 31 are shown below.

	Notes	2024	2023	2022
Bunkering	6, 19.2	**P 573,012,152**	P 602,406,834	P 485,891,065
Depreciation and amortization	9	**363,779,436**	340,555,801	287,014,417
Salaries and employee benefits	16.1	**124,305,008**	135,239,347	130,136,410
Outside services		**90,648,270**	75,390,368	71,362,768
Repairs and maintenance	6	**67,952,619**	41,600,983	56,589,851
Insurance		**49,920,383**	57,963,497	44,951,343
Charter hire fees		**33,753,214**	2,391,294	4,056,288
Handling costs		**32,571,855**	57,396,300	-
Cost of inventories sold		**29,762,574**	12,632,164	19,813,395
Supplies	6	**23,956,744**	22,781,231	20,795,831
Port expenses		**17,162,812**	32,439,993	40,286,776
Rentals	19.3	**15,750,763**	14,613,685	21,975,187
Utilities and communication		**11,357,342**	10,278,001	4,619,131
Taxes and licenses		**9,834,081**	5,768,451	6,679,630
Commission		**6,831,573**	6,040,987	2,992,059
Transportation and travel		**4,257,777**	2,602,416	2,942,008
Representation and entertainment		**567,693**	154,200	-
Professional fees		**20,682**	6,250	12,000
Miscellaneous		**19,024,965**	21,430,985	18,430,266
		P 1,474,469,943	P 1,441,692,787	P 1,218,548,425

15. OPERATING EXPENSES BY NATURE

The details of operating expenses by nature for the three months ended March 31, 2024, 2023 and 2022 are presented below.

	Notes	2024	2023	2022
Bunkering	6, 19.2	**P 573,012,152**	P 602,406,834	P 485,891,065
Depreciation and amortization	9, 11	**379,584,638**	358,802,107	313,005,973
Salaries and employee benefits	16.1	**224,704,784**	211,089,808	199,427,998
Outside services		**105,047,988**	184,007,804	96,870,953
Repairs and maintenance	6	**69,645,560**	42,945,893	58,083,451
Insurance		**50,308,099**	58,825,959	45,558,683
Charter hire fees		**33,753,214**	2,391,294	4,056,288
Handling costs		**32,571,855**	57,396,300	-
Cost of inventories sold		**29,762,574**	12,632,164	19,813,395
Supplies	6	**27,139,060**	25,801,261	25,168,231
Rentals	12.4, 19.3, 22.2	**25,641,280**	19,622,579	27,814,882
Taxes and licenses		**22,348,284**	23,735,423	23,561,491
Port expenses		**17,162,812**	32,439,993	40,286,776
Utilities and communication		**16,247,382**	15,070,472	11,622,237
Transportation and travel		**11,363,755**	11,196,488	6,748,189
Commission		**6,831,573**	6,098,846	3,170,538
Professional fees		**6,023,556**	3,158,759	5,557,832
Representation and entertainment		**4,718,549**	13,611,906	1,321,681
Advertising and promotions		**1,090,999**	560,489	228,252
Expected credit losses on receivables		**487,929**	5,000,000	-
Miscellaneous	19.9(b)	**28,103,741**	46,040,828	15,285,311
		P 1,665,549,784	P 1,732,835,207	P 1,383,473,226

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

	Note	2024	2023	2022
Cost of sales and services	14	**P 1,474,469,943**	P 1,441,692,787	P 1,218,548,425
Other operating expenses		**190,591,912**	286,142,420	164,924,801
Expected credit losses on receivables	5	**487,929**	5,000,000	-
		P 1,665,549,784	P 1,732,835,207	P 1,383,473,226

16. SALARIES AND EMPLOYEE BENEFITS

16.1 Salaries and Employee Benefits

The details of salaries and employee benefits for the three months ended March 31, 2024, 2023 and 2022 are presented below.

	Notes	2024	2023	2022
Short-term employee benefits		**P 206,525,267**	P 194,677,698	P 190,494,351
Other employee benefits		**18,179,517**	16,412,110	8,933,647
	16	**P 224,704,784**	P 211,089,808	P 199,427,998

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	**2024**	2023	2022
Cost of sales and services	14	**P 124,305,008**	P 135,239,347	P 130,136,410
Other operating expenses		**100,399,776**	75,850,461	69,291,588
	15	**P 224,704,784**	P 211,089,808	P 199,427,998

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 March 31, 2024 and December 31, 2023, which is recognized in the consolidated statements of financial position amounts to P1.9 million both in 2024 and 2023.

The composition of the fair value of plan assets as at March 31, 2024 and December 31, 2023 by category and risk characteristics is shown below.

	2024	2023
Cash and cash equivalents	**P 50,805**	P 50,805
Government securities	**422,948**	422,948
Corporate debt securities	**1,384,273**	1,384,273
Equity securities	**46,500**	46,500
Others	**7,210**	7,210
	P 1,911,736	P 1,911,736

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:

	2024	2023
Present value of the obligation	**P 182,584,582**	P 182,584,582
Fair value of plan assets	**(55,358,135)**	(55,358,135)
	P 127,226,447	P 127,226,447

The composition of the fair value of plan assets as at March 31, 2024 and December 31, 2023 by category and risk characteristics is shown below.

	2024	2023
Cash and cash equivalents	**P 283,127**	P 283,127
Government securities	**15,589,595**	15,589,595
Corporate debt securities	**38,893,213**	38,893,213
Equity securities	**184,300**	184,300
Others	**407,900**	407,900
	P 55,358,135	P 55,358,135

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 March 31, 2024 and December 31, 2023.

	Impact on Post-employment Benefit Obligation		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
Discount rate	+/- 1.0%	(P 18,321,501)	P 15,501,467
Salary growth rate	+/- 1.0%	16,272,674	(18,846,109)

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. This analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the retirement benefit obligation recognized in the consolidated statements of financial position. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

(ii) Asset-liability Matching Strategies

To efficiently manage the retirement plan, the Group through its BOD, ensures that the investment positions are managed in accordance with its asset-liability matching strategy to achieve that long-term investments are in line with the obligations under the retirement scheme. This strategy aims to match the plan assets to the retirement obligations by investing in long-term fixed interest securities (i.e., government or corporate bonds) with maturities that match the benefit payments as they fall due and in the appropriate currency. The Group actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the retirement obligations.

In view of this, investments are made in reasonably diversified portfolio, such that the failure of any single investment would not have a material impact on the overall level of assets. A large portion of the plan assets as of March 31, 2024 and December 31, 2023 consists of equity and debt securities. The Group believes that equity securities offer the best returns over the long term with an acceptable level of risk. The majority of equity securities are in a diversified portfolio of local blue-chip entities.

There has been no change in the Group's strategies to manage its risks from the previous period.

(iii) Funding Arrangements and Expected Contributions

As of March 31, 2024 and December 31, 2023, the plan is underfunded by P127.3 million. While there are no minimum funding requirements in the country, the size of the underfunding may pose a cash flow risk in about 21 periods' time when a significant number of employees is expected to retire.

The maturity profile of undiscounted expected benefit payments from the plan within the next ten years from March 31, 2024 and December 31, 2023 follows:

	2024	2023
One to five years	**P 76,792,638**	P 76,792,638
More than five years but not more than ten years	**247,017,258**	247,017,258
	P 323,809,896	P 323,809,896

17. OTHER INCOME (CHARGES)

17.1 Finance Costs

The details of this account for the three months ended March 31, 2024, 2023 and 2022 are shown below.

	Notes	**2024**	2023	2022
Interest expense	12	**P 266,413,661**	P 313,002,409	P 333,489,522
Foreign currency exchange losses		**8,153,084**	1,987,510	1,954,481
Bank charges		**765,154**	302,291	391,579
		P 275,331,899	P 315,292,210	P 335,835,582

17.2 Finance Income

The breakdown of this account for the three months ended March 31, 2024, 2023 and 2022 are shown below.

	2024	2023	2022
Interest income	**P 177,436**	P 154,370	P 15,065
Foreign currency exchange gains	**-**	-	247,006
	P 177,436	P 154,370	P 262,071

18. TAXES

18.1 Registration with the Board of Investments (BOI)

Starlite had registered MV Archer with BOI which commenced in March 2017 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.

	2024	2023	2022
Recognized in profit or loss:			
Regular corporate income tax at 25%	**P -**	P 1,832,343	P -
Final tax at 20% and 7.5%	**3,652**	1,242	1,343
	P 3,652	P 1,833,585	P 1,343
Recognized in other comprehensive income —			
Deferred tax expense relating to origination and reversal of temporary differences	**P -**	P -	P -

The reconciliation of tax on pretax loss computed at the applicable statutory rate to tax income reported in the consolidated statements of profit or loss is as follows:

	2024	2023	2022
Tax on pretax loss at 25%	(P 37,042,404)	(P 80,552,711)	(P 103,910,158)
Adjustments for income subjected to lower tax rates	(913)	(311)	(336)
Tax effects of:			
Unrecognized deferred tax assets on net operating loss carryover (NOLCO)	36,431,655	82,386,607	103,911,837
Nondeductible expenses	615,314	-	-
	P 3,652	P 1,833,585	P 1,343

The net deferred tax assets of the Company and certain subsidiaries as of March 31, 2024 and December 31, 2023 pertain to the following:

	2024	2023
Post-employment benefit obligation	P 19,385,029	P 19,385,029
Impairment losses on trade and other receivables	10,482,084	10,482,084
Loss (gain) on debt modification	(9,991,993)	(9,991,993)
Unrealized foreign exchange loss	7,760,096	7,760,096
Share-based compensation	6,116,487	6,116,487
Impairment losses on property and equipment	4,454,824	4,454,824
Leases	(1,589,998)	(1,589,998)
Others	965,572	965,572
	P 37,582,101	P 37,582,101

The net deferred tax liabilities of certain subsidiaries as of March 31, 2024 and December 31, 2023 are as follows:

	2024	2023
Revaluation reserves on property and equipment	(P 789,688,603)	(P 789,688,603)
Impairment losses on trade and other receivables	187,208,304	187,208,304
Impairment losses on property and equipment	52,353,628	52,353,628
Gain on debt modification	(46,324,646)	(46,324,646)
Leases	(38,404,555)	(38,404,555)
Capitalized borrowing costs	(31,838,769)	(31,838,769)
MCIT	17,949,641	17,949,641
Post-employment benefit obligation	7,810,403	7,810,403
Unamortized past service costs	(3,128,341)	(3,128,341)
Unrealized foreign exchange gain	(2,371,109)	(2,371,109)
Share-based compensation	1,881,051	1,881,051
Provisions	90,407	90,407
Others	1,779,240	1,779,240
	(P 642,683,350)	(P 642,683,350)

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

Year	Original Amount	Applied in Previous Periods	Applied in Current Period	Expired Balance	Remaining Balance	Valid Until
NOLCO:						
2023	P 1,636,658,480	P -	P -	P -	P 1,636,658,480	2026
2022	2,788,158,622	-	28,265,644	-	2,759,892,979	2025
2021	3,058,905,374	-	5,850,807	-	3,053,054,567	2026
2020	2,472,631,204	29,949,659	329,836,179	-	2,112,845,366	2025
	P 9,956,353,680	**P 29,949,659**	**P 363,952,630**	**P -**	**P 9,562,451,391**	
MCIT:						
2023	P 24,731,462	P -	P -	P -	P 24,731,462	2026
2022	7,807,851	-	273,000	-	7,534,851	2025
2021	3,118,990	-	-	-	3,118,990	2024
2020	3,587,849	-	-	3,587,849	-	2023
	P 39,246,152	**P -**	**P 273,000**	**P 3,587,849**	**P 35,385,303**	

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 1.5% of gross income in 2024 and 2023 and 1% of gross income in 2022 as defined under the tax regulations or RCIT, whichever is higher.

In 2024, 2023 and 2022, 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.

Transactions amounting to more than 10% or more of the total consolidated assets 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 10% or more of the total consolidated assets, 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.

A summary of the Group's transactions with its related parties for the years ended March 31, 2024, 2023 and 2022 and the related outstanding balances as of March 31, 2024 and December 31, 2023 is presented below and in the succeeding page.

		Amounts of Transactions			Outstanding Balances	
Related Party Category	Notes	**2024**	2023	2022	**March 31, 2024**	December 31, 2023
Parent —						
Cash advances granted	19.4	-	(P 82,486)	(P 10,936,541)	**P 7,117,460,312**	P 7,117,460,312
Associate —						
Sale of Dito	10, 19.4	-	-	-	**271,874,967**	271,874,967
Related parties under common ownership:						
Chartering of services rendered	19.1	-	9,881,618	31,052,243	**64,184,585**	64,184,585
Fuel purchases	19.2	**73,052,108**	5,267,183	423,172,025	**(2,979,533,494)**	(2,918,883,787)
Acquisition of CSC's shares	19.6	-	-	-	**(500,000,000)**	(500,000,000)
Rental expense	19.3	-	683,550	102,800	**(3,420,866)**	(3,420,866)
Cash advances granted	19.4	-	-	-	**86,032,238**	86,032,238
Cash advances obtained	19.4	-	(8,052,828)	82,146,592	**(504,000,000)**	(504,000,000)
Right-of-use assets	9, 19.7	**(4,164,135)**	(4,164,135)	(4,164,135)	**5,552,180**	9,716,315
Lease liabilities	12.4, 19.7	**3,838,646**	1,086,611	4,121,237	**(5,118,195)**	(8,956,841)
Stockholders -						
Cash advances granted	19.4	**28,078,332**	-	-	**178,963,603**	150,885,270

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

The Group entered into chartering agreements with PPPI, a related party under common ownership, 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 under the Revenues section of the consolidated statements of profit or loss. The related outstanding receivable as of March 31, 2024 and December 31, 2023 is presented as part of Trade receivables under the Trade and Other Receivables account in the consolidated statements of financial position (see Note 5).

The outstanding receivables from related parties are unsecured and do not bear any interest as the credit terms range from 30 to 45 days. Further, no impairment loss was recognized on the outstanding receivables from related parties as of March 31, 2024 and December 31, 2023 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 P86.7 million and P96.2 million as of March 31, 2024 and December 31, 2023, 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 March 31, 2024 and December 31, 2023 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, renewable at the end of the lease term upon mutual agreement of the parties. 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 March 31, 2024 and December 31, 2023, 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 as of March 31, 2024 and December 31, 2023 are as follows:

	Parent Company	Associate	Related Parties under common Ownership	Stockholders	Total
March 31, 2024					
Balance at beginning of year	P 7,117,460,312	P 271,874,967	P 86,032,238	P 150,885,270	P 7,626,252,787
Advances (Collections)	-	-	-	28,078,332	28,078,332
Balance at end of period	P 7,117,460,312	P 271,874,967	P 86,032,238	P 178,963,603	P 7,654,331,119
December 31, 2023					
Balance at beginning of year	P 7,113,121,679	P 271,874,967	P 86,058,666	P 148,223,838	P 7,619,279,150
Advances	4,338,633	-	-	2,661,432	7,000,065
Collections	-	-	(26,428)	-	(26,428)
Balance at end of year	P 7,117,460,312	P 271,874,967	P 86,032,238	P 150,885,270	P 7,626,252,787

Based on management's assessment, no impairment loss is recognized in 2024, 2023 and 2022 related to the advances granted to related parties (see Note 25.2).

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 P57.3 million as of March 31, 2024 and December 31, 2023, respectively. As of March 31, 2024 and December 31, 2023, 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 March 31, 2024 and December 31, 2023, 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).

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 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.

20. EQUITY

20.1 Capital Stock

Capital stock consists of:

	Shares			Amount		
	2024	2023	2022	**2024**	2023	2022
Preferred shares – P1 par value						
Authorized	**10,000,000**	10,000,000	10,000,000	**P 10,000,000**	P 10,000,000	P 10,000,000
Issued and outstanding	**500,000**	500,000	500,000	**P 500,000**	P 500,000	500,000
Common shares - P1 par value						
Authorized	**3,490,000,000**	3,490,000,000	3,490,000,000	**P 3,490,000,000**	P 3,490,000,000	P 3,490,000,000
Issued						
Balance at beginning of year	**1,899,768,615**	1,821,977,615	1,821,977,615	**P 1,899,768,615**	P 1,821,977,615	P 1,821,977,615
Issuance during the year	-	77,791,000	-	-	77,791,000	-
Balance at end of year	**1,899,768,615**	1,899,768,615	1,821,977,615	**P 1,899,768,615**	P 1,899,768,615	P 1,821,977,615
Subscribed shares and receivables						
Balance at beginning of year	**243,750,000**	**93,750,000**	-	**P 131,250,000**	**P 281,250,000**	**P** -
Subscribed during the year	**-**	**-**	-	**-**	-	375,000,000
Paid during the year	-	150,000,000	93,750,000	-	(150,000,000)	(93,750,000)
Balance at end of year	**243,750,000**	243,750,000	93,750,000	**P 131,250,000**	P 131,250,000	281,250,000
Total issued, subscribed and outstanding shares	**2,144,018,615**	2,144,018,615	1,916,227,615	**P 2,144,018,615**	P 2,144,018,615	P 1,916,227,615

On March 27, 2017, CLC acquired all of UIBV's outstanding capital stock through a share swap agreement with Udenna wherein Udenna transferred to CLC 18,200 UIBV shares. In exchange, the Company issued 775,384,615 new common shares from its authorized and unissued capital stock in favor of Udenna. 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 March 31, 2024 and December 31, 2023, the Company's listed shares closed at P1.66 and P1.42 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 in 2022.

On October 2023, the Company entered into Subscription and Debt Conversion Agreements with lenders Metropolitan Bank & Trust Company – Trust Banking Group (MBTC) and Private Education Retirement Annuity Association (PERAA), in which the Company settled two of its outstanding loans amounting to P221.8 million and P11.6 million through the issuance of 73,932,000 and 3,859,000 shares, which represents 3.25% and 0.17% of the total issued and outstanding shares of the Company, respectively (see Note 10). The conversion price for the MBTC and PERAA shares is P3.00 per share. APIC was recognized amounting to 155.6 million and is presented under Equity section as of December 31, 2023.

In 2023, the Company collected from Udenna a partial payment of the subscription receivable amounting to P489.0 million, which 150,000,000 was presented as part of subscribed and 339,000,000 shares as part of APIC as of December 31, 2023.

20.2 Revaluation Reserves

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.

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 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, 2024	P 1,811,469,432	P 103,483,674	P 2,116,529	P 1,917,069,636
Transfer to retained earnings -				
Depreciation of revalued vessels	(4,444,755)	-	-	(4,444,755)
Balance at March 31, 2024	**P 1,807,024,677**	**P 103,483,674**	**P 2,116,529**	**P 1,912,624,881**
Balance as of January 1, 2023	P 1,380,564,802	P 108,308,125	P 2,382,959	P 1,491,255,887
Revaluation increment	839,224,129	-	-	839,224,129
Remeasurements of post-employment benefit obligation	-	(6,291,481)	-	(6,291,481)
Currency exchange differences on translating financial statements of foreign operations	-	-	(266,430)	(266,430)
Other comprehensive income	839,224,129	(6,291,481)	(266,430)	832,666,218
Tax income	(244,847,809)	1,467,030	-	(243,380,779)
Other comprehensive income after tax	594,376,320	(4,824,451)	(266,430)	589,285,439
Transfer to retained earnings -				
Depreciation of revalued vessels	(163,471,690)	-	-	(163,471,690)
Balance at December 31, 2023	P 1,811,469,432	P 103,483,674	P 2,116,529	P 1,917,069,636

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

Non-controlling interests represent the interest not held by the Group in Trans-Asia. The balance as at March 31, 2024 and December 31, 2023 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 in 2022.

As of March 31, 2024 and December 31, 2023, 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 March 31, 2024 and December 31, 2023.

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:

	2024	2023	2022
Net loss	**(P 148,173,266)**	(P 324,044,430)	(P 415,641,974)
Divided by weighted average shares outstanding	**2,144,018,615**	1,916,227,615	1,821,977,615
Loss per share – basic and diluted	**(P 0.069)**	(P 0.169)	(P 0.228)

In relation to the approved ESOP for eligible employees, the options exercisable by any of the option holders are considered as potentially anti-dilutive shares as at the end of March 31, 2024 and December 31, 2023. There were no outstanding convertible preferred shares and bonds or other stock equivalents as of March 31, 2024 and December 31, 2023; 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. 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 P330.1 million and P361.6 million as of March 31, 2024 and December 31, 2023, respectively.

The future minimum lease receivables under these BB agreements are as follows:

	2024	2023
Within one year	**P 79,516,377**	P 106,021,836
After one year but not more than two years	**96,019,776**	96,019,776
After two years but not more than three years	**96,019,776**	96,019,776
After three years but not more than four years	**32,006,592**	32,006,592
	P 303,562,521	P 330,067,980

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 2024 and 2023.

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 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.

22.5 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 March 31, 2024 and December 31, 2023 are as follows:

	2024	2023
Cost	**P 1,848,378,146**	P1,848,378,146
Accumulated impairment loss	**(74,294,814)**	(74,294,814)
Net carrying amount	**P 1,774,083,332**	P 1,774,083,332

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

	2023	2022
Roll-on/roll-off passenger	**P 1,295,633,122**	P 1,295,633,122
Distribution and warehousing	**478,450,210**	478,450,210
	P 1,774,083,332	P 1,774,083,332

Goodwill is subject to annual impairment testing as required under PAS 36, *Impairment of Assets*. In 2023 and 2022, the recoverable amounts of the cash-generating units were determined based on value-in-use calculations, which require use of various assumptions.

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.

	2023		2022	
	Average Discount Rate	**Terminal Growth Rate**	Average Discount Rate	Terminal Growth Rate
Roll-on/Roll-off passenger	**6.47%**	**3.70%**	6.41%	3.70%
Distribution and warehousing	**6.47%**	**3.70%**	5.75%	3.70%
Tankering	**6.47%**	**3.70%**	6.55%	3.70%

Based on these analyses, management has assessed that no further impairment of goodwill is required to be recognized as of March 31, 2024 and December 31, 2023. 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.

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.

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.

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 2024, 2023 and 2022.

24.4 Analysis of Segment Information

The tables below and in the succeeding pages present revenue and profit information regarding business segments for the years ended March 31, 2024, 2023 and 2022 and assets and liabilities information regarding segments as at March 31, 2024 and December 31, 2023.

	Investing and Other Activities	Tankering	Tugboats	Roll-on/ Roll-off Passenger	Distribution and Warehousing	Ship Management and Crewing	Total
March 31, 2024							
SEGMENT RESULTS							
Sales to external customers	P -	P 153,004,168	P 93,981,924	P 1,398,339,876	P 133,500,446	P -	P 1,778,826,414
Intersegment sales	97,327,702	-	8,055,910	22,650,000	-	102,206,120	230,239,732
Total revenues	97,327,702	153,004,168	102,037,834	1,420,989,876	133,500,446	102,206,120	2,009,066,146
Cost of sales and services	-	185,497,696	72,253,472	1,199,786,124	83,653,564	81,611,777	1,622,802,633
Other operating expenses	37,390,186	20,122,736	11,569,571	167,295,596	24,850,449	9,354,117	270,582,655
Expected credit losses on receivables	-	-	-	228,000	259,929	-	487,929
Finance costs	23,083,416	108,703,364	1,148,458	140,727,167	711,421	958,073	275,331,899
Finance income	(151,821)	(7,066)	(1,947)	(12,083)	(3,160)	(1,359)	(177,436)
Other loss (income)	(276,395)	(622,897)	(16,550)	20,700,068	-	(760,519)	19,023,707
Segment operating profit (loss)	P 37,282,316	(P 160,689,665)	P 17,084,830	(P 107,734,996)	P 24,028,243	P 11,044,031	(P 178,985,241)
SEGMENT ASSETS AND LIABILITIES							
Total assets	**P 35,243,378,404**	**P 8,537,427,198**	**P 911,290,826**	**P 15,907,315,002**	**P 332,966,992**	**P 685,146,993**	**P 61,617,525,415**
Total liabilities	**P 19,378,338,031**	**P 9,806,637,435**	**P 232,521,175**	**P 17,910,073,757**	**P 276,908,016**	**P 450,050,643**	**P 48,054,529,057**
March 31, 2023							
SEGMENT RESULTS							
Sales to external customers	P -	P 114,603,653	P 85,866,614	P 1,387,928,534	P 119,875,368	P -	P 1,708,274,169
Intersegment sales	97,185,990	-	11,843,818	45,300,000	-	91,579,976	245,909,784
Total revenues	97,185,990	114,603,653	97,710,432	1,433,228,534	119,875,368	91,579,976	1,954,183,953
Cost of sales and services	-	164,719,766	75,089,871	1,173,572,652	94,616,993	74,975,346	1,582,974,628
Other operating expenses	52,690,049	32,615,067	14,106,212	234,393,936	33,150,243	6,680,925	373,636,432
Expected credit losses on receivables	-	-	-	5,000,000	-	-	5,000,000
Finance costs	45,435,486	123,155,616	1,492,712	154,412,772	839,882	1,356,591	326,693,059
Finance income	(11,601,022)	(602)	(1,299)	(38,359)	(112,482)	(606)	(11,754,370)
Other loss (income)	(251,958)	(78,334)	(3,894,411)	(12,885,446)	(2)	(280,300)	(17,390,451)
Segment operating profit (loss)	P 10,913,435	(P 205,807,860)	P 10,917,347	(P 121,227,021)	(P 8,619,266)	P 8,848,020	(P 304,975,345)
December 31, 2023							
SEGMENT ASSETS AND LIABILITIES							
Total assets	P 34,991,396,110	P 8,650,256,411	P 902,202,529	P 15,645,364,680	P 401,876,407	P 659,874,772	P 61,250,970,909
Total liabilities	P 19,435,208,233	P 9,757,849,355	P 238,336,194	P 17,520,778,465	P 369,711,651	P 434,248,260	P 47,756,132,158
March 31, 2022							
SEGMENT RESULTS							
Sales to external customers	P -	P 127,295,522	P 71,891,137	P 980,117,157	P 120,695,307	P -	P 1,299,999,123
Intersegment sales	76,465,007	-	10,412,294	78,300,000	-	91,317,199	256,077,089
Total revenues	76,465,007	127,295,522	81,886,020	1,058,417,157	120,695,307	91,317,199	1,556,076,212
Cost of sales and services	-	174,947,017	79,447,964	888,971,511	95,215,069	73,605,213	1,312,186,774
Other operating expenses	56,607,556	20,417,948	9,790,453	111,743,394	30,878,051	11,952,403	241,389,805
Finance costs	39,164,708	123,307,439	5,528,611	164,159,488	745,951	2,929,385	335,835,582
Finance income	(1,034)	(4,475)	(351)	(255,454)	(10)	(747)	(262,071)
Other loss (income)	(1,780,577)	(1,332,862)	(444)	56,154	(2)	(349,252)	(3,406,983)
Segment operating profit (loss)	(P 17,525,646)	(P 190,039,546)	(P 12,880,212)	(P 106,257,936)	(P 6,143,752)	P 3,180,197	(P 329,666,895)

Presented below is a reconciliation of the Group's segment information to the key financial information presented in its consolidated financial statements.

	2024	2023	2022
Revenues			
Total segment revenues	**P 2,009,066,146**	P 1,954,183,953	P 1,556,076,212
Elimination of intersegment revenues	**(230,239,732)**	(245,909,784)	(256,077,089)
Reported as profit or loss	**P 1,778,826,414**	P 1,708,274,169	P 1,299,999,123
Profit or loss			
Segment operating profit (loss)	**(P 178,985,241)**	(P 304,975,345)	(P 329,666,895)
Other unallocated expense	**30,815,627**	(17,235,500)	(85,973,736)
Profit before tax as reported in profit or loss	**(P 148,169,614)**	(P 322,210,845)	(P 415,640,631)
Assets			
Segment Assets	**P 61,617,525,415**	P 61,250,970,909	
Elimination of intercompany accounts	**(28,661,235,736)**	(28,299,613,123)	
Total assets as reported in the consolidated statement of financial position	**P 32,956,289,679**	P 32,951,357,786	
Liabilities			
Segment Liabilities	**48,054,529,057**	47,756,132,158	
Elimination of intercompany accounts	**(18,854,337,585)**	(18,709,045,845)	
Total liabilities as reported in the consolidated statement of financial position	**P 29,200,191,472**	P 29,047,086,313	

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 March 31, 2024, 2023 and 2022 is presented below.

	2024	2023	2022
Revenues recognized over time:			
Freight	**P 836,763,276**	P 882,714,082	P 762,474,540
Passage	**484,286,200**	407,389,445	159,788,814
Charter fees	**186,988,668**	162,373,608	154,561,739
Other service revenues	**134,347,589**	131,825,316	126,794,084
Tugboat fees	**93,981,924**	85,866,614	71,891,137
	1,736,367,657	1,670,169,065	1,275,510,314
Revenues recognized at a point in time - Sale of goods	**42,458,757**	38,105,104	24,488,809
Total revenues	**P 1,778,826,414**	P 1,708,274,169	P 1,299,999,123

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 March 31, 2024 and December 31, 2023 closing rates follow:

	2024	2022
Financial assets	**P 54,008,528**	P 56,649,350
Financial liabilities	**(904,315,646)**	(934,222,696)
Net exposure	**(P 850,307,118)**	(P 877,573,346)

If the Philippine peso had strengthened against the U.S. dollar, loss before tax in 2023 and 2022 would have decreased by P136.2 million and P140.5 million, respectively. If the Philippine peso had weakened against the U.S. dollar, then this would have increased loss before tax in 2023 and 2022, respectively, by the same amount. This sensitivity of the net result for the period assumes a +/-16.02% change of the Philippine peso/U.S. dollar exchange rate for the periods ended March 31, 2024 and December 31, 2023, respectively. These percentages have been determined based on the average market volatility in exchange rates, using standard deviation, in 12 months for 2023 and 2022 estimated at 99% level of confidence. The sensitivity analysis is based on the Group's foreign currency financial instruments held at the end of the reporting period.

Exposures to foreign exchange rates vary during the year depending on the volume of transactions. Nonetheless, the analysis above is considered to be representative of the Group's foreign currency risk.

(b) Interest Rate Sensitivity

The Group's policy is to minimize interest rate cash flow risk exposures on long-term financing. At March 31, 2024 and December 31, 2023, 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 +/- 1.47% in 2024 and in 2023, respectively. Bank loans, which vary with certain foreign interest rates, are tested on a reasonably possible change of +/- 0.11% in 2023 and 2022. 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.

	Notes	**2024**	2023
Cash and cash equivalents	4	**P 294,676,371**	P 392,586,988
Trade and other receivables – net (excluding advances to officers and employees)	5	**1,624,020,429**	1,657,398,799
Restricted cash	7, 11	**35,188,952**	7,160,166
Security deposits	11	**51,039,930**	50,355,290
Advances to related parties	19.4	**7,654,331,119**	7,626,252,787
		P 9,659,256,801	P 9,733,754,030

The Group maintains defined credit policies and continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. Where available at a reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used and credit verification procedures are performed. The Group's policy is to deal only with creditworthy counterparties.

None of the financial assets are secured by collateral or other credit enhancements, except for cash and trade and other receivables as described below.

The credit risk for cash is considered negligible, since the counterparties are reputable banks with high quality external credit ratings. Included in cash are cash and cash equivalents which are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P0.5 million for every depositor per banking institution.

The Group applies the PFRS 9 simplified approach in measuring ECL, which uses a lifetime expected loss allowance for all trade receivables and other receivables.

To measure the expected credit losses, trade and other receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over a period of 36 months before March 31, 2024 and December 31, 2023, and the corresponding historical credit losses experienced within such period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

On that basis, the loss allowance as at March 31, 2024 and December 31, 2023 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
March 31, 2024					
Expected loss rate	0.00%	48.97%	23.79%	87.58%	
Gross carrying amount - trade receivables	221,817,012	56,589,427	76,822,844	1,162,139,169	1,517,368,452
Loss allowance	-	27,713,122	18,279,735	1,017,755,120	1,063,747,977
December 31, 2023					
Expected loss rate	0.00%	28.17%	50.19%	81.94%	
Gross carrying amount - trade receivables	198,395,522	96,636,313	36,418,001	1,242,009,891	1,573,459,727
Loss allowance	-	27,225,192	18,279,736	1,017,755,121	1,063,260,048

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 March 31, 2024 and December 31, 2023 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 March 31, 2024, the Group's financial liabilities, excluding lease liabilities, have contractual maturities which are presented below.

		Current		Non-current	
	Notes	Within Six Months	Six to 12 Months	One to Five Years	More than Five Years
Interest-bearing loans	12	P 1,207,348,089	P 2,727,542,954	P 11,226,730,316	P 7,835,554,790
Trade and other payables (except for government-related obligations)	13	6,456,440,075	-	-	-
Advances from related parties	19.4	252,000,000	252,000,000	-	-
		P 7,915,788,164	**P 2,979,542,954**	**P 11,226,730,316**	**P 7,835,554,790**

As at December 31, 2023, the Group's financial liabilities have contractual maturities, which are presented below.

		Current		Non-current	
	Notes	Within Six Months	Six to 12 Months	One to Five Years	More than Five Years
Interest-bearing loans	12	P 1,292,581,561	P 2,565,149,039	P 11,226,730,316	P 7,835,554,790
Trade and other payables (except for government-related obligations)	13	6,320,650,544	-	-	-
Advances from related parties	19.4	252,000,000	252,000,000	-	-
		P 7,865,232,105	P 2,817,149,039	P 11,226,730,316	P 7,835,554,790

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 March 31, 2024 and December 31, 2023, management considers that the carrying amounts of the financial instruments approximate their fair values.

		March 31, 2024		December 31, 2023	
	Notes	Carrying Amounts	Fair Values	Carrying Amounts	Fair Values
Financial Assets —					
At amortized cost:					
Cash and cash equivalents	4	**P 294,676,371**	**P 294,676,371**	P 392,586,988	P 392,586,988
Trade and other receivables - net	5	**560,272,452**	**560,272,452**	594,138,751	594,138,751
Restricted cash	8, 11	**35,188,952**	**35,188,952**	7,160,166	7,160,166
Security deposits	8, 11	**51,039,930**	**51,039,930**	50,355,290	50,355,290
Advances to related parties	19.4	**7,654,331,119**	**7,654,331,119**	7,626,252,787	7,626,252,787
		P 8,595,508,824	**P 8,595,508,824**	P 8,670,493,982	P 8,670,493,982
Financial Liabilities —					
At amortized cost:					
Trade and other payables	13	**P 8,064,010,313**	**P 8,064,010,313**	P 7,865,124,898	P 7,865,124,898
Interest-bearing loans	12	**16,871,663,968**	**16,871,663,968**	17,038,326,339	17,038,326,339
Advances from related parties	19.4	**504,000,000**	**504,000,000**	504,000,000	504,000,000
		P 25,439,674,281	**P 25,439,674,281**	P 25,407,451,237	P 25,407,451,237

See Notes 2.5 and 2.10 for the description of the accounting policies for each category of financial instruments. A description of the Group's risk management objectives and policies for financial instruments is provided in Note 25.

26.2 Offsetting of Financial Assets and Financial Liabilities

The Group has not set off financial assets and financial liabilities in 2023 and 2022 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 P7,273.3 million and P7,428.3 million as of March 31, 2024 and December 31, 2023, respectively, may be offset against the outstanding balances of trade and other payables and cash advances obtained from related parties totaling P3,992.1 million and P3,935.3 million as of March 31, 2024 and December 31, 2023, respectively.

The Group also has certain trade receivables, which were used as collateral to secure the payment of certain interest-bearing loans (see Notes 5 and 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 March 31, 2024 and December 31, 2023.

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 March 31, 2024 and December 31, 2023, which are not measured at fair value in the consolidated statements of financial position but for which fair value is disclosed.

	March 31, 2024			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial Assets:				
At amortized cost:				
Cash and cash equivalents	P 294,676,371	P -	P -	P 294,676,371
Trade and other receivables - net	-	-	560,272,452	560,272,452
Restricted cash	35,188,952	-	-	35,188,952
Security deposits	-	-	51,039,930	51,039,930
Advances to related parties	-	-	7,654,331,119	7,654,331,119
	P 329,865,323	**P -**	**P 8,265,643,501**	**P 8,595,508,824**
Financial Liabilities —				
At amortized cost:				
Trade and other payables	P -	P -	P 8,064,010,313	P 8,064,010,313
Interest-bearing loans	-	-	16,871,663,968	16,871,663,968
Advances from related parties	-	-	504,000,000	504,000,000
	P -	**P -**	**P 25,439,674,281**	**P 25,439,674,281**

	December 31, 2023			
	Level 1	Level 2	Level 3	Total
Financial Assets:				
At amortized cost:				
Cash and cash equivalents	P 392,586,988	P -	P -	P 392,586,988
Trade and other receivables - net	-	-	594,138,751	594,138,751
Restricted cash	7,160,166	-	-	7,160,166
Security deposits	-	-	50,355,290	50,355,290
Advances to related parties	-	-	7,626,252,787	7,626,252,787
	P 399,747,154	P -	P 8,270,746,828	P 8,670,493,982
Financial Liabilities:				
At amortized cost:				
Trade and other payables	P -	P -	P 7,865,124,898	P 7,865,124,898
Interest-bearing loans	-	-	17,038,326,339	17,038,326,339
Advances from related parties	-	-	504,000,000	504,000,000
	P -	P -	P 25,407,451,237	P 25,407,451,237

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.

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 March 31, 2024 and December 31, 2023, the fair value of the land classified under investment properties amounted to P1,881.1 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 March 31, 2024 and December 31, 2023 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 2023 and 2022.

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:

	2024	2023
Total liabilities	**P 29,200,191,472**	P 29,047,086,313
Total equity	**3,756,098,207**	3,904,271,473
Debt-to-equity ratio	**7.77 : 1.00**	7.44 : 1.00

The Group's goal in capital management is to maintain a debt-to-equity structure ratio, which is in line with the Group's covenants related to its bank borrowings (see Note 13).

The Group sets the amount of capital in proportion to its overall financing structure, i.e., equity and total liabilities. The Group manages the capital structure and adjusts 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. SEASONAL FLUCTUATIONS

There were no seasonal aspects that had a material effect on the financial condition or results of operations of the Group.

Item 2. **MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF 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 as of and for the period ending March 31, 2024 and 2023. The following discussions should be read in conjunction with the attached Unaudited Consolidated Financial Statements of the Group as of March 31, 2024 and 2023.

Comparable discussion on Material Changes in Results of Operations for the period ending March 31, 2024 and 2023.

Amounts in millions (Php)	March 31				
	2024	%Rev	2023	%Rev	% Change
Revenues	**P 1,779**	**100%**	P 1,708	100%	4%
Cost of sales and services	**1,474**	**83%**	1,442	84%	2%
Gross Profit	**304**	**17%**	267	16%	14%
Other operating expenses	**191**	**11%**	286	17%	(33%)
Provision for expected credit losses	**0**	**0%**	5	0%	100%
Operating profit (loss)	**113**	**6%**	(25)	(1%)	(561%)
Finance cost, net	**(275)**	**(15%)**	(315)	(18%)	(13%)
Other charges (income) - net	**14**	**1%**	17	1%	(22%)
Profit (Loss) Before Tax	**(148)**	**(8%)**	(322)	(19%)	(54%)
Tax expense (income)	**0**	**0%**	2	0%	(100%)
Net profit (loss)	**(P 148)**	**(8%)**	(P 324)	(19%)	(54%)
Add Back:					
Tax expense (income)	**0**	**0%**	2	0%	(100%)
Depreciation and amortization	**380**	**21%**	359	21%	6%
Interest expense	**266**	**15%**	313	18%	(15%)
Provision for expected credit losses	**0**	**0%**	5	0%	100%
Interest Income	**(0)**	**(0%)**	(0)	(0%)	15%
EBITDA	**P 498**	**28%**	P 354	21%	41%

The financial results of CLIHC and subsidiaries for the first quarter ending March 31, 2024 showed an increase in Consolidated Revenues by 4% to ₱1.779 billion. The improvement reflected the accelerating growth of Passage, Chartering, Tugboats and Logistics segments performance with the continuing recovery of passenger volume, tugboat movement and charter, B2B logistics segment, and the increasing number of vessels in trade. Vessel availability issues remained due to extended drydocking.

Consolidated Gross Profit for Q1 2024 was ₱304 million, compared to ₱267 million in 2023 and increased primarily due to improved revenues and increased trading vessels. The Gross Margin in 2024 increased to 17% of revenues compared to 16% in the prior period, reflecting the impact of improved revenues on fixed cost of services and change in contract mix with increased bareboat and time chartering of vessels.

Other operating expenses dropped by 33% to ₱191 million or 11% ratio to revenue from 17% in 2023 due to significant reduction in Outside Services cost in 2024.

No additional Provision for Expected Credit Losses (ECL) for the quarter was taken up and deemed the total Allowance for ECL sufficiently covered any doubtful accounts.

Operating results for the period was reversed to a profit of ₱113 million compared to a loss of ₱25 million in 2023 basically due to factors stated above.

Consolidated Finance Cost decreased by 13% reflecting the impact of the Loan Management Exercise of the Group due to loan restructuring.

Other Income generated from the sale of scrap materials, passage-related auxiliary services such as use of charging station, excess baggage fee, linen rental, upgrade fee, etc. decreased from ₱17 Million to ₱14 Million last year.

The Group's Consolidated Net Loss after Tax amounted to ₱148 million, reflecting the effect of high finance cost, a significant reduction of 54% from last year's Loss of ₱324 million and resulted to an adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) of ₱498 million, a 41% substantial increase from same period in 2023.

Loss per Basic and Diluted Share this quarter is ₱0.069, an improvement from prior year's ₱0.169 loss per share.

Financial Condition
March 31, 2024 and December 31, 2023

Amounts in millions		Unaudited March 2024		Audited December 2023	% Change
Current Assets	**P**	**11,101**	P	10,946	1%
Non-Current Assets		**21,856**		22,005	(1%)
Total Assets	**P**	**32,956**	P	32,951	0%
Current Liabilities	**P**	**15,495**	P	15,057	3%
Non-Current Liabilities		**13,705**		13,990	(2%)
Total Liabilities	**P**	**29,200**	P	29,047	1%
Total Equity	**P**	**3,756**	P	3,904	(4%)
Total Liabilities and Equity	**P**	**32,956**	P	32,951	0%

The Group's Consolidated Total Assets are practically the same for both periods, posted at ₱32.9 billion. Total Equity decreased by 4% in Q1 2024 due to additional losses incurred during the period.

This resulted to a decrease in Book Value per Share to ₱1.75 from ₱1.82 in December 2023.

Comparable discussion on Material Changes in Results of Operations for the period ending March 31, 2023 and 2022.

Amounts in millions (PhP)	March 31				
	2023	%Rev	2022	%Rev	% Change
Revenues	**P 1,708**	100%	P 1,300	100%	**31%**
Cost of sales and services	**1,442**	84%	1,219	94%	**18%**
Gross profit (loss)	**267**	16%	81	6%	**227%**
Other operating expenses	**286**	17%	165	13%	**73%**
Provision for expected credit losses	**5**	0%	-	0%	**100%**
Operating profit (loss)	**(25)**	(1%)	(83)	(6%)	**(71%)**
Finance cost, net	**(315)**	(18%)	(336)	(26%)	**(6%)**
Other charges (income) - net	**17**	1%	3	0%	**413%**
Profit (Loss) Before Tax	**(322)**	(19%)	(416)	(32%)	**(22%)**
Tax expense (income)	**2**	0%	0	0%	**136429%**
Net profit (loss)	**(P 324)**	(19%)	(P 416)	(32%)	**(22%)**
Add Back:					
Tax expense (income)	**2**	0%	0	0%	**136429%**
Depreciation and amortization	**359**	21%	313	24%	**15%**
Interest expense	**313**	18%	333	26%	**(6%)**
Provision for expected credit losses	**5**	0%	-	0%	**100%**
Interest Income	**(0)**	(0%)	(0)	(0%)	**925%**
Adjusted EBITDA	**P 354**	21%	**P 231**	18%	**54%**

CLIHC and subsidiaries logged a reduced Net Loss After Tax of ₱324 Million as of March 31, 2023, a 22% decrease from the same period in 2022, but Consolidated Revenues jumped on increasing demand driven by the easing of strict pandemic restrictions, giving much-needed stimulus to the economy. However, the Group has yet to achieve its anticipated economic and business recovery in 2023 even as it continues to work on bringing back to trading status one vessel at a time from laid-up status or extended drydocking during the pandemic.

The Group's Consolidated Revenues grew 31% year-on-year in the first quarter to ₱1.7 Billion after years of travel restrictions and quarantines. Passage revenue climbed 155% to ₱407 Million in Q1 2023 owing to the increase in passenger volume and in average ticket rates which were implemented to cover for the rising fuel prices. Related revenues from the Sale of Goods likewise increased by 64% to ₱50 Million. Freight revenue came in at ₱883 Million for 2023, up 9% from the year before and accounted for 52% of Consolidated Revenues. Cargo volume increased but was limited in its growth by vessel and container van availability issues.

Total Charter fees, cushioned by the full quarter effect of Charter revenues of Supercat this period, rose by 5% to ₱162 Million in 2023 despite the slight dip in Tankers' Group revenues caused by the change in contract mix which was intended to achieve consistent revenue stream for the Company. Consolidated

Tugboat revenue grew to ₱86 Million, owing to the increased number of movements in the current year at all locations. While, Logistics reported ₱120 Million revenues for the first three months of the year, a slight dip from same period last year.

Cost of Sales and Services Ratio to Revenue improved to 84% in 2023 from 94% in 2022. There was a favorable unparalleled increase in the amount of ₱223 Million or a year-on-year 18% with more vessels trading this year. This resulted to an upturn in Gross Profit Margin to 16% year-on-year, from 6% in 2022.

The increase in business activities, pushed Other Operating Expenses up by 73% to ₱286 Million driven by the increases in Outside Services Cost of more than three-fold to ₱109 Million; Taxes and Licenses by 97% to ₱33 Million; and Salaries and Wages by 9% to ₱76 Million as vacant positions were filled up to complement the current business requirements. Cost containment measures are continuously implemented across the Group.

Additional provision for expected credit losses of ₱5 Million was set-up to uplift coverage as well as to closely monitor asset quality.

The Group posted an Operating Loss of ₱25 Million, after an Operating Loss of ₱83 Million the previous year, driven by higher revenues and contained costs during the period.

Consolidated Finance Costs was recorded at ₱315 Million, down by 6% from previous year with the loan restructuring secured by the Group.

Other Income generated from the sale of scrap materials, passage-related auxiliary services such as use of charging station, excess baggage fee, linen rental, upgrade fee, etc. increased to ₱17 Million from ₱3 Million last year.

Consolidated Net Loss after Tax plunged to ₱324 Million from a high of ₱416 Million in 2022, or a 22% cut in losses. This resulted to an improvement in Loss per Basic and Diluted share for the current quarter of ₱0.169 from ₱0.228 same period last year.

Adjusted EBITDA jumped from the year before by 54% to ₱354 Million owing to the reduction in losses this year.

Financial Condition
March 31, 2023 and December 31, 2022

Amounts in millions	Unaudited March 31, 2023			Audited December 31, 2022			% Change
Current Assets	**P**	**11,091**	**34%**	P	10,668	32%	**4%**
Non-Current Assets		**21,912**	**66%**		22,262	68%	**(2%)**
Total Assets	**P**	**33,003**	**100%**	P	32,930	100%	**0%**
Current Liabilities	**P**	**15,721**	**48%**	P	16,266	49%	**(3%)**
Non-Current Liabilities		**13,831**	**42%**		12,889	39%	**7%**
Total Liabilities	**P**	**29,551**	**90%**	P	29,155	89%	**1%**
Total Equity	**P**	**3,451**	**10%**	P	3,775	**11%**	**(9%)**
Total Liabilities and Equity	**P**	**33,003**	**100%**	P	32,930	100%	**0%**

The Group's Consolidated Total Assets are practically the same for both periods, posted at ₱33 Million. Total Equity decreased by 9% to ₱3.5 Billion in March 2023 due to additional losses this period amounting to ₱324 Million. While Non-Current Liabilities increased by 7% due to capitalized interest as a result of loan restructuring.

This resulted to a decrease in Book Value per Share to ₱1.80 in March 2023 from ₱2.07 in December 2022.

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

Amounts in millions PhP	March 31				
	2022	%/Rev	2021	%/Rev	% Change
Revenues	**1,300**	100%	1,154	100%	**13%**
Cost of sales and services	**1,219**	94%	1,144	99%	**7%**
Gross profit (loss)	**81**	6%	10	1%	**699%**
Other operating expenses	**165**	13%	167	14%	**-1%**
Operating profit (loss)	**(83)**	-6%	(156)	-14%	**-47%**
Finance cost, net	**333**	26%	273	24%	**22%**
Share in net loss of an associate	**0**	0%	99	9%	**-100%**
Other charges (income), net	**(1)**	0%	(310)	-27%	**-100%**
Profit (Loss) before tax	**(416)**	-32%	(218)	-19%	**91%**
Tax expense (income)	**0**	0%	(1)	0%	**-100%**
Net profit (loss) after tax	**(416)**	-32%	(217)	-19%	**92%**
Add back:					
Tax expense (income)	**0**	0%	(1)	0%	**-100%**
Depreciation and amortization	**313**	24%	401	35%	**-22%**
Finance cost, net	**333**	26%	273	24%	**22%**
Share in net loss of an associate	**0**	0%	99	9%	**-100%**
Adjusted EBITDA	**231**	18%	555	48%	**-58%**

For the first quarter of the year, Chelsea Logistics and Infrastructure Holdings Corp. and its Subsidiaries (CLIHC or the “Group”), generated consolidated revenue of ₱1.30 billion, an increase of 13% compared to ₱1.15 billion in the same period in 2021. The Freight segment increased revenue by 23% to ₱762 million, while the Passage revenue surged by 124% to ₱160 million with the easing of travel protocols this period, which increased passenger volume.

Fuel prices continued to increase with the Ukraine conflict and this pushed the Group’s Bunkering cost to ₱486 million, a 43% increase year-on-year. Consequently, Cost of sales and services escalated to ₱1.22 billion; this increase was tapered off by the decline in Depreciation and amortization cost by 25% or ₱94 million to ₱287 million in 2022 due to the disposal of certain vessels in prior year and extended drydocking of some vessels until this period.

Gross profit margin grew to 6% from a 1% posted same period last year.

The Group achieved a significant reduction of 47% in Operating loss or down to ₱83 million in 2022 from ₱156 million in 2021 on account of the improved consolidated top line and continuous cost containment measures.

Finance cost grew to ₱333 million in the current period or by 22% from ₱273 million, primarily due to the finance lease take-up of MV TransAsia 21 since May 2021 in compliance to PFRS 16.

Investment cost in Dito Holdings Corp., an associate as of December 31, 2021 is at NIL hence no share in net loss was taken up this period.

In 2021, the Group recognized a ₱313 million gain in pre-termination of a Time Charter contract lodged in Other Charges (Income).

As a result, CLIHC and Subsidiaries' Consolidated Net Loss After Tax was ₱416 million or ₱0.228 loss per basic and diluted share for the quarter ending March 31, 2022, as compared to the net loss of ₱217 million or ₱0.120 loss per basic and diluted share in 2021.

This quarter period, the Group generated adjusted EBITDA of ₱231 million, a 58% decline from ₱555 million last year, mainly due to the one-off gain in contract pre-termination in 2021.

Financial Condition

March 31, 2022 versus December 31, 2021

Amounts in millions PhP	Unaudited March 31, 2022	% / Total	Audited December 31, 2021	% / Total	% Change
Current assets	**11,232**	33%	11,038	32%	2%
Non-current assets	**22,828**	67%	23,084	68%	-1%
Total assets	**34,060**	100%	34,122	100%	0%
Current liabilities	**16,559**	49%	16,135	47%	3%
Non-current liabilities	**12,266**	36%	12,337	36%	-1%
Total liabilities	**28,825**	85%	28,472	83%	1%
Total equity	**5,235**	15%	5,650	17%	-7%
Total liabilities and equity	**34,060**	100%	34,122	100%	0%

The Group's Financial Condition as at both periods is almost the same. However, total Equity of the Group decreased to ₱5,235 million or by 7% as against last year of ₱5,650 million due to incurred losses amounting to ₱416 million in the current period which decreased book value per share to ₱2.87 in 2022 from ₱3.10 in December 31, 2021.

PART II OTHER INFORMATION

On 27 March 2021, the Philippine Government imposed an Enhanced Community Quarantine which restricted the travel of people via sea transport but allowed delivery of cargo including petroleum products to continue trading activities. On passenger transport, travel to and from the NCR and other provinces, cities and municipalities have been restricted and this greatly impacted the revenues of our passage vessels. Our passenger shipping business comprised 20% of our revenues in 2019.

On 26 April 2021, KGLI-NM executed the sale of 86,116,844 2GO shares as part of the full disposal of the Group's investment in 2GO.

On 11 May 2021, Trans Asia received delivery of Trans Asia 21 from Fukuoka shipyard. On July 17, the vessel was blessed and set sail from Cebu to Cagayan de Oro.

On 3 June 2021, Chelsea Logistics and Infrastructure Holdings Corp. completed the sale of 550,558,388 Common shares of the 2GO Group, Inc. (2GO) to SM Investments Corporation, and of 230,563,877 Common shares of 2GO to Trident Investments Holdings Pte. Ltd., representing an aggregate of approximately 31.73% of 2GO's total issued and outstanding capital stock, comprising Chelsea Logistic's entire effective interest in 2GO.

The sale was done by KGLI-NM Holdings, Inc., a 90% owned subsidiary of Chelsea Logistics at ₱8.50 per share. The sale was transacted via special block sales through the Philippine Stock Exchange.

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

The Subscription Price will be revised from the initial Offer Price of ₱6.28 to the average of the (a) volume weighted average market price (VWAP) for the thirty (30) days trading days on the Philippine Stock Exchange (PSE) immediately prior to the approval of the Board of Directors of this Amended ESOP, and (b) the initial Subscription Price of ₱6.28 under the original ESOP. The Exercise Date will be revised to 18 March 2023.

As of December 31, 2021 and 2020, pursuant to the ESOP, the Company has granted the option to its eligible employees to subscribe to 37.6 million shares of the Company. An option holder may exercise in whole or in part his vested option, provided that, and option exercisable but not actually exercised within a given year shall accrue and may be exercised at any time thereafter but prior to the expiration of said option's life cycle. No options have been exercised as at December 31, 2021 and 2020.

A total of ₱5.9 million and ₱16.9 million is recognized for the years ended December 31, 2021 and 2020, respectively, and is included as part of Salaries and employee benefits in the 2021 and 2020 consolidated statements of profit or loss and is credited to Share Options Outstanding in the Equity section of the consolidated statements of financial position. The outstanding share options as of December 31, 2021 and 2020 totaling to ₱4.6 million options and ₱20 million options, respectively.

As of December 31, 2021, none of these options have been exercised.

On July 16, 2022, Trans-Asia 1, a non-trading vessel of Trans-Asia Shipping Lines, Inc. caught fire while aground in Punta Engaño, Mactan, Cebu. Cost of damage has yet to be determined.

On August 26, 2022, MV Asia Philippines captured fire while vessel was waiting for berthing at anchorage. Fire broke out at Promenade Deck inside the dining area. There were no casualties and rolling cargo on board were not affected. Cost of damage has yet to be determined.

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.

In October 2023, the Company entered into subscription and debt conversion agreements with lenders Metropolitan Bank & Trust Company – Trust Banking Group (MBTC) and Private Education Retirement Annuity Association (PERAA), in which the Company settled two of its outstanding loans amounting to P221.8 million and P11.6 million through the issuance of 73,932,000 and 3,859,000 shares, which represents 3.25% and 0.17% of the total issued and outstanding shares of the Company, respectively (see Note 10). The conversion price for the MBTC and PERAA shares is P3.00 per share. APIC was recognized amounting to 155.6 million and is presented under Equity section as of December 31, 2023.

In 2023, the Company collected from Udenna a partial payment of the subscription receivable amounting to P489.0 million, which 150,000,000 was presented as part of subscribed and 339,000,000 shares as part of APIC as of December 31, 2023.

In September 2023 and November 2023, PNX-Chelsea disposed two vessels with a total net book value of P377.0 million for a total consideration of $3.8 million (P211.7 million) in which PNX-Chelsea recognized a loss on sale amounting to P162.9 million and is presented as part of Loss on sale of property and equipment under the Other Income (Charges) account in the 2023 consolidated statement of profit or loss.

SIGNATURES

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

CHELSEA LOGISTICS AND INFRASTRUCTURE HOLDINGS CORP.
By:

DENNIS A. UY
Chairman of the Board

CHRYSS ALFONSUS V. DAMUY
President and CEO

IGNACIA S. BRAGA IV
Chief Financial Officer

Signed this 7th day of August 2024