**MINUTES OF THE 2024 ANNUAL MEETING
OF THE STOCKHOLDERS OF
LORENZO SHIPPING CORPORATION**
Held on 25 June 2024
through Video Conferencing on Zoom Platform

## I. CALL TO ORDER

The Chairperson, Ms. Doris Teresa Magsaysay Ho, called the meeting to order at 9:00 a.m. and presided over the same.

## II. PROOF OF NOTICE AND CERTIFICATION OF QUORUM

The Corporate Secretary, Aissa V. Encarnacion, certified that notices, including the required Information Statement, were first published and sent to stockholders of record of the Company on 27 May 2024. The Corporate Secretary further certified that at least 68.37% of the aggregate number of shares issued, outstanding and entitled to vote, or at least 379,209,563 shares, were present virtually in person or by proxy based on duly recorded proxies and the list of stockholders who registered, and therefore, a quorum existed for the stockholders to transact business. A copy of the list of stockholders present in person or by proxy is attached hereto as **Annex "A."**

The Chairman thus declared that the stockholders may proceed to transact business.

The Corporate Secretary informed the Chairman that the meeting is being conducted virtually in its entirety and voting was done electronically. She then presented the ASM Virtual Rules, a copy of which is attached hereto as **Annex "B."**

## III. APPROVAL OF THE MINUTES OF THE 2023 ANNUAL STOCKHOLDERS' MEETING

The Corporate Secretary presented the resolution approving the minutes of the annual stockholders' meeting held last 10 August 2023. She reported that the resolution was approved by a vote of the stockholders, voting electronically, representing 68.37% of the stockholders present and by proxy, as tabulated by the Office of the Corporate Secretary.

Upon the vote of the stockholders representing 68.37% of the total outstanding capital stock registered, the following resolution was approved:

**Resolution No. 1 series of 2024**

> "RESOLVED, That the stockholders of Lorenzo Shipping Corporation (the "Corporation") approve, as they hereby approve, the minutes of the annual stockholders' meeting held last 10 August 2023."

## IV. PRESIDENT'S REPORT AND FINANCIAL REPORT

The Chairman then introduced the Company's President, Mr. Reynold John B. Madamba. The President presented the President's Report to the stockholders. Copies of the President's Report and Annual Report are attached hereto as **Annexes "C"** and **"D,"** respectively.

The Chairman then called on the Company's Treasurer, Ms. Amelita M. Intalan to present the Financial Report. The Treasurer stated that the Financial Report containing the audited financial statements as of 31 December 2023 (the "2023 AFS") was attached to the Definitive Information Statement and distributed to the stockholders. A copy of the 2023 AFS is attached hereto as **Annex "E."** The Treasurer then stated that any queries with regard to the Financial Report may be directed to Management or to the external auditor, Sycip, Gorres, Velayo & Co.

The President's Report and Financial Report were duly noted.

The President recommended the approval of the 2023 Annual Report and AFS.

Upon vote of the stockholders representing 68.37% of the total outstanding capital stock registered, the following resolution was approved:

**Resolution No. 2 series of 2024**

> "RESOLVED, That the stockholders of Lorenzo Shipping Corporation (the "Corporation") approve, as they hereby approve, the Corporation's Annual Report and Audited Financial Statements as of 31 December 2023, as audited by the Corporation's external auditor, and the accompanying explanatory notes."

## V. RATIFICATION AND CONFIRMATION OF ACTS AND RESOLUTIONS OF THE BOARD OF DIRECTORS AND MANAGEMENT

The Chairman stated that next on the agenda is the ratification of the acts executed by the Board of Directors and Officers from the last stockholders' meeting to date. She mentioned that the stockholders were earlier furnished copies of the acts and resolutions of the Board of Directors for the period from the last stockholders' meeting held on 10 August 2023 to date.

The Corporate Secretary stated that the resolutions for ratification were culled from the minutes of the meetings of the board of directors covering said period, as well as various disclosures made by the Company. She said that Management likewise requests that the stockholders ratify all acts of Management in implementation of the resolutions of the board of directors and of various committees.

The Corporate Secretary presented the resolution approving the acts and resolutions of the board of directors and of Management for the period stated.

Upon vote of the stockholders representing 68.37% of the total outstanding capital stock registered, the following resolution was approved:

**Resolution No. 3 series of 2024**

> "RESOLVED, That the stockholders of Lorenzo Shipping Corporation (the "Corporation") approve and ratify, as they hereby approve and ratify, all the acts of Management and the Board of Directors as disclosed in the corporate records."

## VI. APPOINTMENT OF EXTERNAL AUDITOR

The Chairman stated that the next item in the agenda is the appointment of the external auditor of the Company. She stated that the Audit Committee endorsed to the Board of Directors, and the Board of Directors is now recommending the re-appointment of Sycip, Gorres, Velayo & Co. as the external auditor of the Company for the year 2024 and the approval of the corresponding fee. She informed the stockholders that the Chairman of the Audit Committee is Mr. Deogracias N. Vistan, who is an independent director of the Company, as well as the members of the Audit Committee, were present at the meeting.

The Corporate Secretary presented the resolution approving the appointment of Sycip, Gorres, Velayo & Co. as the Company's external auditor for 2024 and the fixing of the fee.

Upon vote of the stockholders representing 68.37% of the total outstanding capital stock registered, the following resolution was approved:

**Resolution No. 4 series of 2024**

"RESOLVED, That the stockholders of Lorenzo Shipping Corporation (the "Corporation") approve, as they hereby approve, the appointment of Sycip, Gorres, Velayo & Co. as external auditor for the year 2024, and the corresponding fee."

## VII. ELECTION OF DIRECTORS

The Chairman stated that the next item in the agenda is the election of directors. She stated that according to the Company's By-Laws and prevailing rules of the Securities and Exchange Commission, the stockholders have to elect seven (7) directors, at least three (3) of whom are independent directors, who shall serve for one year or until their successors have been duly elected and qualified. The following were nominated as directors:

Directors
1. Doris Teresa Magsaysay Ho
2. Antony Louis Marden
3. Michael L. Escaler
4. Reynold John B. Madamba

Independent Directors
1. Deogracias N. Vistan
2. Rene J. Buenaventura
3. Virgilio L. Peña

As tabulated by the Office of the Corporate Secretary, the following directors were elected, who shall serve as directors for the year 2024 to 2025 and/or until their successors have been elected and/or qualified:

Directors
1. Doris Teresa Magsaysay Ho
2. Antony Louis Marden
3. Michael L. Escaler
4. Reynold John B. Madamba

Independent Directors
1. Deogracias N. Vistan
2. Rene J. Buenaventura
3. Virgilio L. Peña

## VIII. OTHER MATTERS

The Chairman said that the Company requested the stockholders to e-mail the Company their questions. She said that the Company will endeavor to answer some of these questions at the meeting.

The Corporate Secretary stated that the Company did not receive any questions from the stockholders.

## IX. ADJOURNMENT

The Chairman thanked everyone for joining the virtual stockholders' meeting and informed them that they may e-mail the Corporate Secretary at the e-mail address being flashed on the screen. She also said that the video recording of the meeting will be posted on the Company's website.

In the absence of any other business to be discussed, the meeting was adjourned at 9:30 a.m.

DIRECTORS PRESENT:

Doris Teresa Magsaysay Ho - Chairman
Antony Louis Marden – Vice-Chairman
Reynold John B. Madamba - President
Michael L. Escaler - Director
Deogracias N. Vistan – Lead Independent Director
Rene J. Buenaventura - Independent Director
Virgilio L. Peña – Independent Director

[redacted]

**AISSA V. ENCARNACION**
*Corporate Secretary*

ATTEST: [redacted]

**DORIS TERESA MAGSAYSAY HO**
*Chairman*

# ANNEX A

## 2024 ANNUAL STOCKHOLDERS' MEETING
## ATTENDANCE OF STOCKHOLDERS

| NAME | USER ROLE | REPRESENTATIVE | SHARES |
|---|---|---|---|
| National Marine Corporation | Stockholder | Doris Teresa Magsaysay Ho | 379,149,561 |
| Doris Teresa Magsaysay Ho | Stockholder and Director | - | 1 |
| Antony Louis Marden | Stockholder and Director | - | 1 |
| Michael L. Escaler | Stockholder and Director | - | 48,250 |
| Reynold John B. Madamba | Stockholder and Director | - | 1,000 |
| Deogracias N. Vistan | Stockholder and Independent Director | - | 3,750 |
| Rene J. Buenaventura | Stockholder and Independent Director | - | 1,000 |
| Virgilio L. Peña | Stockholder and Independent Director | - | 1,000 |
| Eugenia Socorro Gomez | Stockholder | - | 5,000 |
| | | **Total** | 379,209,563 |
| | | **Percentage of the Total Outstanding Shares** | 68.37% |

# ANNEX B

**<u>Rules for Registration, Voting in Absentia and Participation in Meeting</u>**

REGISTRATION

1. The annual stockholders' meeting ("ASM") of Lorenzo Shipping Corporation ("LSC") shall be conducted entirely via remote communication through the Zoom Platform.

2. Only Stockholders of record ("Stockholder") can participate in the ASM through remote communication and vote in absentia on the matters in the Agenda, provided the Stockholder has:

   2.1. Complied with the registration requirement; and
   2.2. Such registration has passed validation process.

3. Stockholders may register by sending an e-mail to the Company's Corporate Secretary at corpsec@msl.com.ph.

4. The e-mail must include the following information:

   4.1. Individual Stockholders with the shares recorded in their name:

      4.1.1. Name of the Stockholder in record;
      4.1.2. Valid and active e-mail address of Stockholder;
      4.1.3. Valid and active cellular phone number of Stockholder;
      4.1.4. Copy of a valid government issued ID, showing photo and personal details, preferably with residential address;
      4.1.5. Stockholders with joint accounts shall further submit scanned copy of an authorization letter signed by all stockholders, identifying who among them is authorized to cast the vote for the account;
      4.1.6. Individual stockholders who will appoint a proxy shall submit the duly accomplished and signed proxy, and scanned copy of the Proxy's valid government-issued ID showing photo and personal details.

   4.2. Individual Stockholder under a Broker account:

      4.2.1. Valid and active e-mail address of Stockholder;
      4.2.2. Valid and active cellular phone number of Stockholder;
      4.2.3. Broker's Certification on the Stockholder's number of shareholdings. <u>IMPORTANT:</u> To facilitate the verification of your account, please make sure that you copy the stock and transfer agent, BDO, through: bdo-stock-transfer@bdo.com.ph on all email correspondence with the Broker regarding request for Broker' s Certification; and
      4.2.4. Scanned copy of the Stockholder's and Broker's valid government-issued ID showing photo and personal details, preferably with residential address;
      4.2.5. Individual stockholders who will appoint a proxy shall submit the duly accomplished and signed proxy, and scanned copy of the Proxy's valid government-issued ID showing photo and personal details.

4.3. Corporate Stockholders

4.3.1. Duly accomplished and signed Proxy;
4.3.2. Board Resolution or Secretary's Certificate stating that the person signing the proxy is authorized by the governing board or has the power under its by-laws, constitutive documents of such corporation, association, or partnership, to sign the Proxy;
4.3.3. Valid and active cellular phone number of the Stockholder's Representative;
4.3.4. Valid and active e-mail address of the Stockholder's Representative;
4.3.5. Scanned copy of the valid government-issued ID of the person signing the Proxy Form showing photo and personal details; and
4.3.6. Scanned copy of the Proxy's valid government-issued ID showing photo and personal details.
4.3.7. If the Corporate Stockholder is under a broker account:
(a) Broker's Certification on the Stockholder's number of shareholdings. IMPORTANT: To facilitate the verification of your account, please make sure that you copy the stock and transfer agent, BDO, through: bdo-stock-transfer@bdo.com.ph on all email correspondence with the Broker regarding request for Broker' s Certification; and
(b) Scanned copy of the Broker's valid government-issued ID showing photo and personal details, preferably with residential address.

LSC reserves the right to request additional information and original signed copies of the documents forming part of the Registration Requirements at a later time (Please note that LSC will request for consent to process personal information pursuant to the Data Privacy Act.)

5. Stockholders who will not send an e-mail with the foregoing required information will not be registered and consequently will not be able to vote electronically or in absentia.

6. After passing the validation process, the Stockholder will receive an email containing the following:

6.1. Confirmation and acceptance of their registration;
6.2. Ballots attached as a pdf file; and
6.3. The username and password required to access the Zoom Platform for the ASM.

VOTING

7. Stockholders or proxy holders with successful and validated registration ("Registered Stockholder") may cast their votes on all agenda items indicated in the Notice of the Meeting.

8. The Registered Stockholders may vote as follows in their ballots:

8.1. For all items on the ballot, except for the Election of Directors, the Registered Stockholder is provided with the option to cast their vote as follows: "For," "Against," or "Abstain." To cast their vote, the Registered Stockholder must mark the appropriate box on the Ballot that corresponds to their chosen option. The Registered Stockholder's vote applies to all of their shares.

8.2. For the Election of Directors, the Registered Stockholder entitled to vote: (i) may vote such number of shares owned for as many persons as there are Directors to be elected; or (ii) may cumulate said shares and give one candidate as many votes as the number of Directors to be elected multiplied by the number of their shares; or (iii) may distribute them on the same principle among as many candidates as may be seen fit. To cast their vote, the Registered Stockholder must indicate the number of shares they are voting for the specific nominee.

9. The Registered Stockholder must submit their completed ballots by sending them via email to the Corporate Secretary at corpsec@msl.com.ph on the day of the ASM.

10. The Company's stock transfer agent and Office of the Corporate Secretary will tabulate all votes received and will validate the results.

11. Except for the election of directors, all the items in the Agenda for the approval by the stockholders will need the affirmative vote of stockholders representing at least a majority of the issued and outstanding voting stock present at the meeting. For the Election of Directors, the top seven (7) nominees with the most number of votes are elected.

12. For any questions or inquiries, including request for assistance in the registration process, please contact our Office of the Corporate Secretary through corpsec@msl.com.ph.

**PROXY GUIDELINES**

1. Identification

Stockholders opting to attend through proxy shall fill up the proxy form uploaded in the website https://www.lorenzoshipping.com/en/index.php/investor-relations or as duly sent by corpsec@msl.com.ph upon the Stockholders' proper registration. Proxy forms must be duly signed, dated and sent by the Stockholder on or before, **14 June 2024 05:00 p.m.** at corpsec@msl.com.ph or delivered at the 5th Floor, Montepino Building, 138 Amorsolo St., Corner Gamboa, Legazpi Village, Makati City.

2. Submission of the Proxy

12.1. The proxy form must be completed, signed and dated by the shareholder or his duly authorized representative.

12.2. If the shares of stock are owned by two or more joint owners, the proxy form must be signed by all of the joint owners.

12.3. If the shares of stock are owned in an "and/or" capacity, the proxy form must be signed by either one of the owners.

12.4. If the shares of stock are owned by a corporation, association, or partnership, the proxy form must be accompanied by a certification, signed by a duly authorized officer, partner or representative of such corporation, association, or partnership, to the effect that the person signing the proxy form has been authorized by the governing body or has the power pursuant to its Bylaws, constitutive documents or duly approved policies of such corporation, association, or partnership, for such purpose.

12.5. A proxy form given by a broker or dealer in respect of shares of stock carried by such broker or dealer for the account of a customer must be supported by a sworn certification that the same is given with the express prior authorization of such customer.

12.6. If any customer of a broker or dealer who is the beneficial owner of shares of stock executes a sub-proxy, the broker or dealer shall certify that the signature on the sub-proxy is the true and genuine signature of its customer.

3. Revocation of Proxy

An owner of shares of stock who has given a proxy has the power to revoke it by a written instrument duly signed and dated, which must be received at the Company's principal office not later than 3 days prior to the meeting. A proxy is also considered revoked if an individual stockholder attends the meeting in person and expresses his intention to vote in person.

4. Validation of Proxies

Proxy validation will be held at the 5th Floor, Montepino Building, 138 Amorsolo St., Corner Gamboa, Legazpi Village, Makati City, on **21 June 2024 at 10:00 a.m**. Validation of proxies will be done by the Office of the Corporate Secretary, in accordance with the procedure and B.D.O. as the stock transfer agent, pursuant to guidelines set out in the Company's Bylaws and Rule 20.11.2 of the 2015 Implementing Rules and Regulations of the Securities Regulation Code.

**LORENZO SHIPPING CORPORATION**

**PROXY FORM**

The undersigned (the "Principal") hereby constitutes and appoints ______________________ [Name of Proxy] or in his absence, the Chairman of the meeting, as his/her attorney-in-fact and proxy (the "Proxy"), so that the Proxy or any other person empowered by the Proxy, shall have, without need of further authorization from the Principal, full power and authority to represent and vote all of the shares of stock of the Principal in LORENZO SHIPPING CORPORATION (the "Corporation") or ______________ shares at the annual stockholders' meetings of the Corporation on 25 June 2024, or any adjournment thereof, on the following matters, as fully and to all intents and purposes as such Principal might do if present and acting in person.

| | AGENDA ITEM | APPROVE | DISAPPROVE | ABSTAIN |
|---|---|---|---|---|
| **1** | APPROVAL OF MINUTES OF THE PREVIOUS STOCKHOLDERS' MEETING | | | |
| **2** | APPROVAL OF THE MANAGEMENT'S REPORT | | | |
| **3** | APPROVAL OF THE AUDITED FINANCIAL STATEMENTS | | | |
| **4** | RATIFICATION AND CONFIRMATION OF ACTS AND RESOLUTIONS OF THE BOARD OF DIRECTORS SINCE THE LAST ANNUAL STOCKHOLDERS' MEETING | | | |
| **5** | APPOINTMENT OF EXTERNAL AUDITOR | | | |
| **6** | ELECTION OF DIRECTORS | **NUMBER OF VOTES** | | |
| 1 | Doris Teresa Magsaysay-Ho | | | |
| 2 | Antony Louis Marden | | | |
| 3 | Reynold John B. Madamba | | | |
| 4 | Michael L. Escaler | | | |
| 5 | Deogracias N. Vistan – Independent Director | | | |
| 6 | Rene J. Buenaventura – Independent Director | | | |
| 7 | Virgilio L. Peña – Independent Director | | | |

*Voting Instructions:* Please refer also to Item 19 of the Information Statement on the manner of voting. For proposals 1 to 5 above, kindly place a check mark (/) on the space provided whether you approve, disapprove, or abstain from voting. For proposal 6, each holder of common stock is entitled to seven (7) votes per share**. If you are giving directed/non-discretionary proxy,** write the number of votes to confer upon each nominee on the blank space provided. If you wish to withhold the authority to vote for any nominee, kindly strike out the name of the nominee. **In the absence of any instruction for proposals 1 to 5, your votes will be cast in favor of the proposals.**

**If you wish to grant full discretion to your proxy, please tick the box below.**

| | |
|---|---|
| **FULL DISCRETION** | ☐ |

Signature of Stockholder over Printed Name: ___________________________

Number of shares held: _____________

Date: ___________

Witness: __________________________

LORENZO
SHIPPING CORPORATION

**Deliver on Commitment. Serve for Fulfillment.**

Since 1972

Leading Liner Shipping Company • Modern Shipping Practices • Skilled and Dedicated People • Vast Network of Resources


# ANNUAL STOCKHOLDERS' MEETING

25 JUNE 2024

Annual Report 2023

# Introduction

H1: RISE IN CARGO VOLUME AND ELEVATED FREIGHT REVENUE


H2: SLOWDOWN IN DEMAND DUE TO SUCCESSIVE INCREASES IN INTEREST RATES

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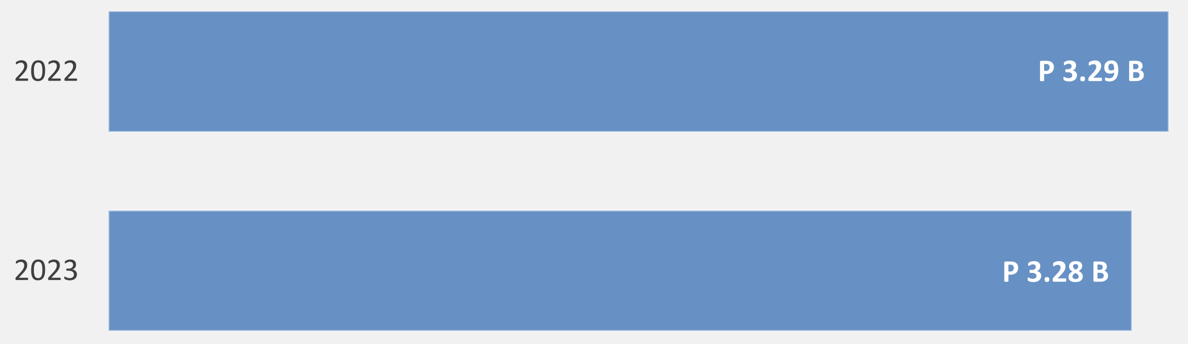
# Freight Revenue




total freight revenue in 2023

**PHP 3,280,896,707**

**0.6%**

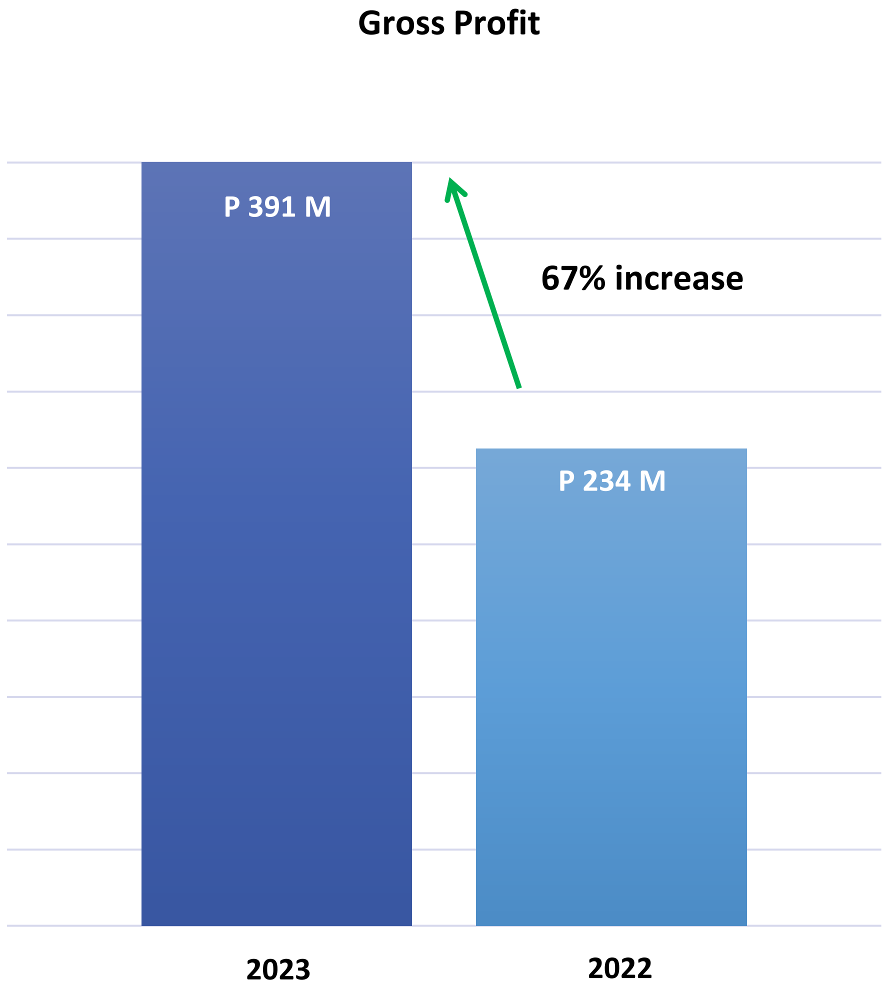
decrease in freight revenue versus Year 2022

# Direct Costs

| Direct Costs | 2023 | 2022 |
|---|---|---|
| Cost of services | P 2,640,300,101 | P 2,824,867,551 |
| Terminal expenses | 249,314,899 | 240,214,878 |
| | **P 2,889,615,000** | **P 3,065,082,429** |

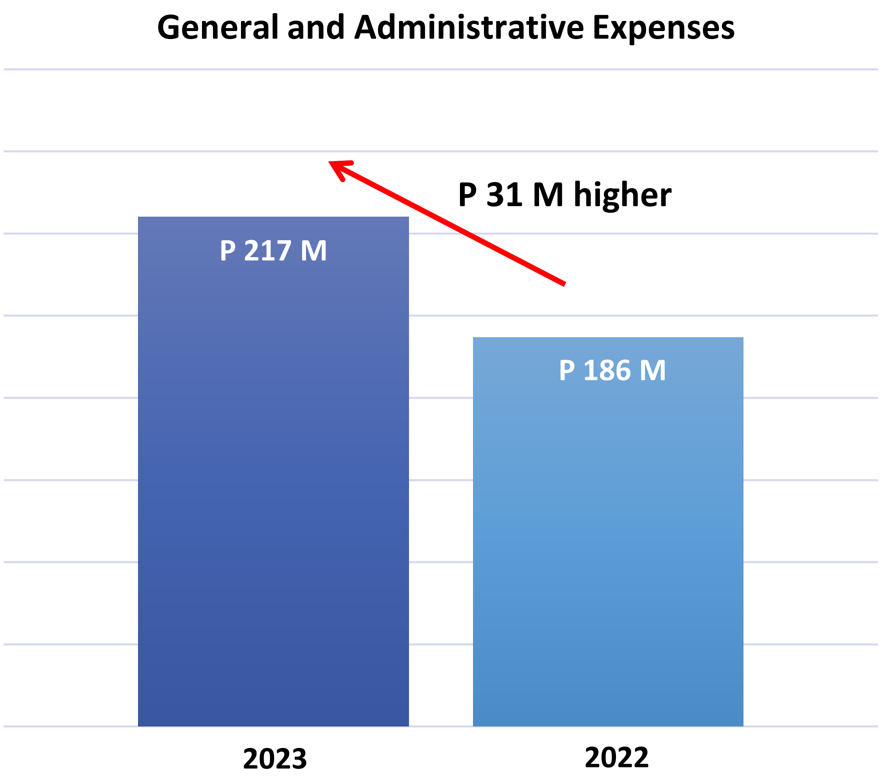
# Gross Profit

| | 2023 | 2022 |
|---|---|---|
| Gross Profit | P 391,281,707 | P 234,389,009 |



# General and Administrative Expenses

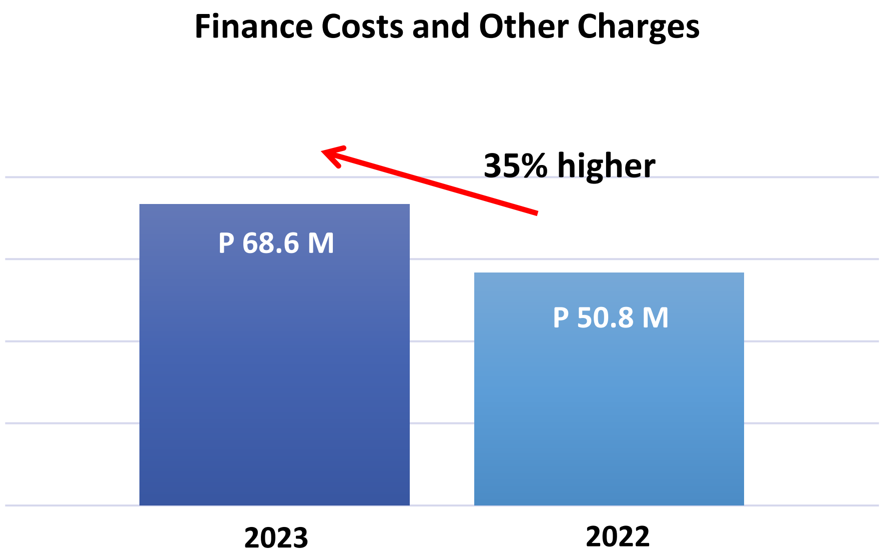
| | 2023 | 2022 |
|---|---|---|
| General and Administrative Expenses | P 217,516,154 | P 186,221,167 |



# Finance Costs and Other Charges

| | 2023 | 2022 |
|---|---|---|
| Finance Costs and Other Charges | P 68,643,755 | P 50,805,414 |

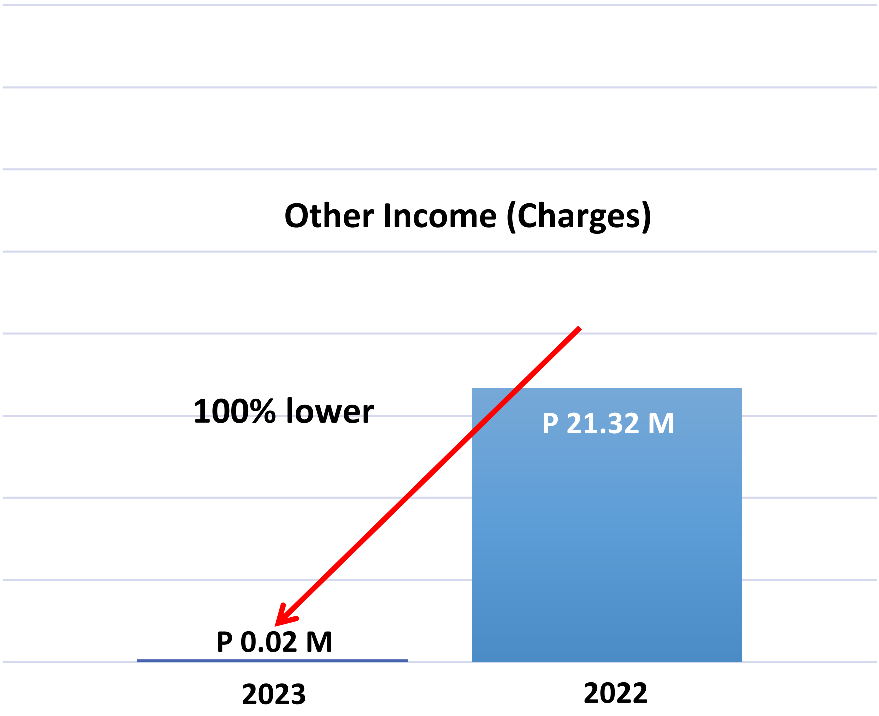
- Due to increase in interest in lease liabilities



# Other Income (Charges)

| | 2023 | 2022 |
|---|---|---|
| Other Income | P 19,837 | P 21,319,220 |

- Due to proceeds from insurance claims and other cargo-related claims in 2022

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# Net Income (Loss) After Tax

| | 2023 | 2022 |
|---|---:|---:|
| **FREIGHT REVENUE** | **P 3,280,896,707** | **P 3,299,471,438** |
| **DIRECT COSTS** | | |
| Cost of services | **2,640,300,101** | **2,824,867,551** |
| Terminal Expenses | **249,314,000** | **240,214,878** |
| | **2,889,615,429** | **3,065,082,429** |
| **GROSS PROFIT** | **391,281,717** | **234,389,009** |
| GENERAL AND ADMINISTRATIVE EXPENSES | **(217,516,154)** | **(186,221,167)** |
| FINANCE COSTS AND OTHER CHARGES | **(68,643,755)** | **(50,805,414)** |
| OTHER INCOME (CHARGES) - net | **19,837** | **21,319,220** |
| **INCOME (LOSS) BEFORE INCOME TAX** | **105,141,635** | **18,681,648** |
| PROVISION FOR INCOME TAX | **9,355,280** | **81,439** |
| **NET INCOME (LOSS) AFTER TAX** | **P 95,786,355** | **P 18,600,209** |

**415% increase**

LORENZO SHIPPING CORPORATION

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# Financial Report Total Resources

| | 2023 | 2022 |
|---|---|---|
| Total Current Assets | P 1,015,482,439 | P 1,029,136,481 |
| Total Non-Current Assets | 2,077,917,218 | 1,901,290,540 |
| **Financial Condition Total Resources** | **P 3,093,399,657** | **P 2,930,427,021** |


Lorenzo Shipping Corporation
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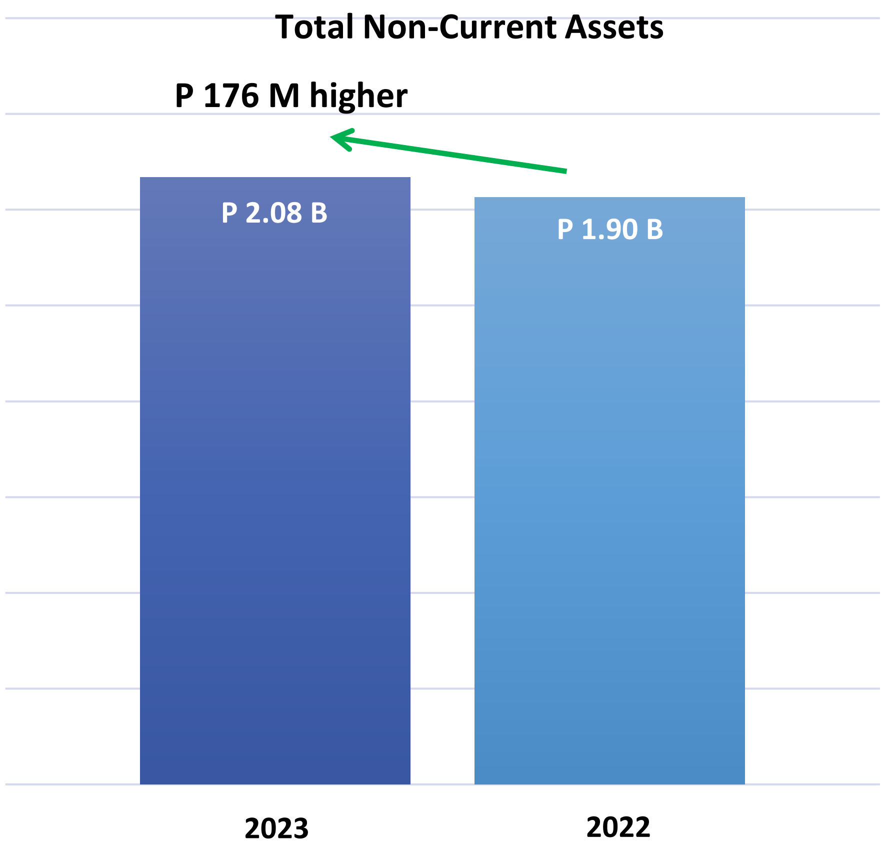
# Total Current Assets

| | 2023 | 2022 |
|---|---|---|
| Total Current Assets | P 1,015,482,439 | P 1,029,136,481 |

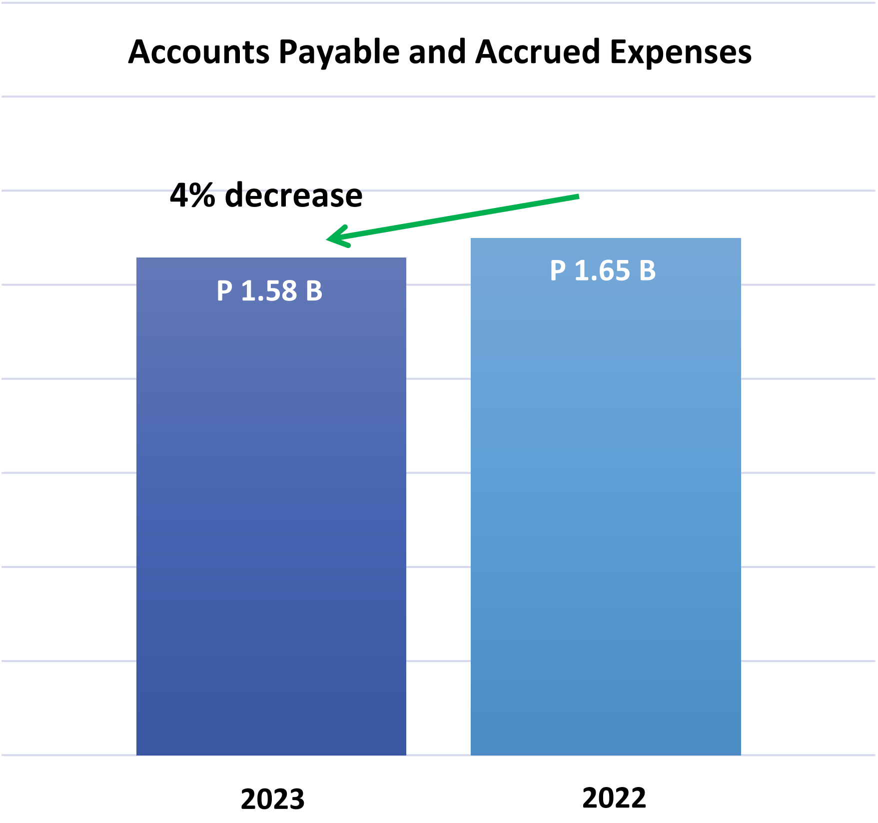
# Total Non-Current Assets

| | 2023 | 2022 |
|---|---|---|
| Total Non-Current Assets | 2,077,917,218 | 1,901,290,540 |



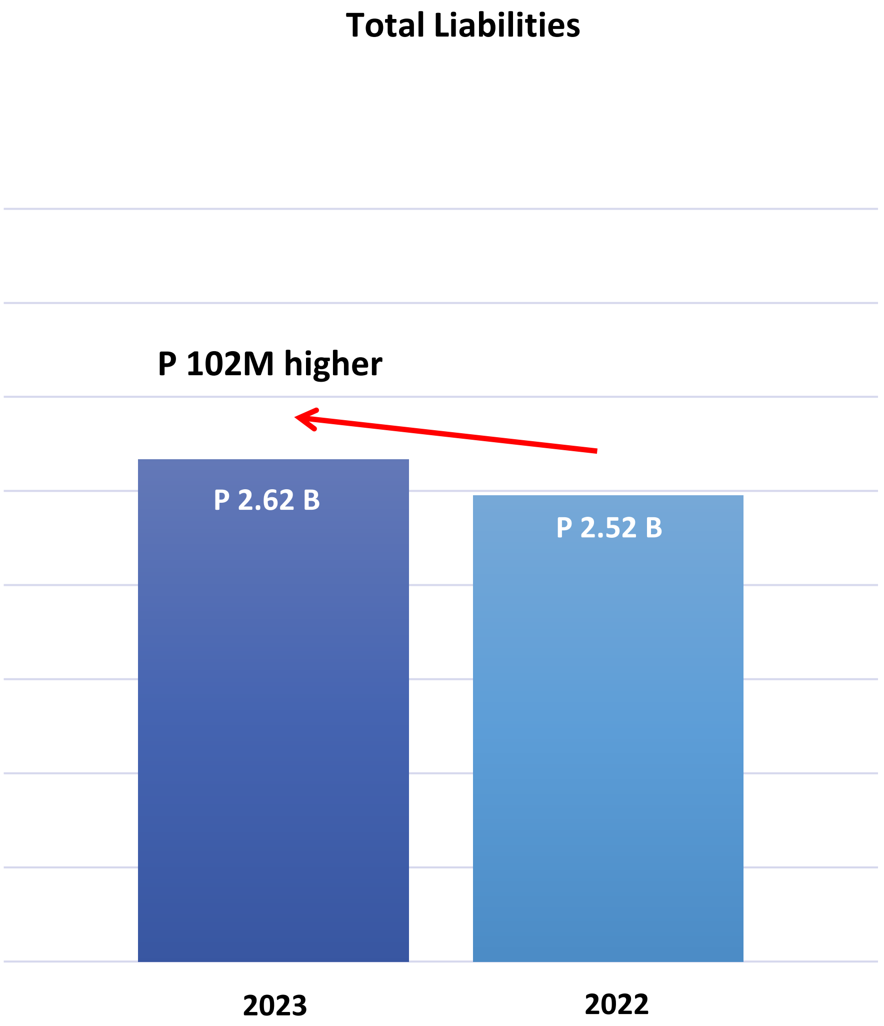
# Accounts Payable and Accrued Expenses

| | 2023 | 2022 |
|---|---|---|
| Accounts Payable and accrued expenses | P 1,585,687,460 | P 1,649,780,869 |



# Total Liabilities

| | 2023 | 2022 |
|---|---|---|
| Total Liabilities | P 2,626,864,457 | P 2,524,712,858 |

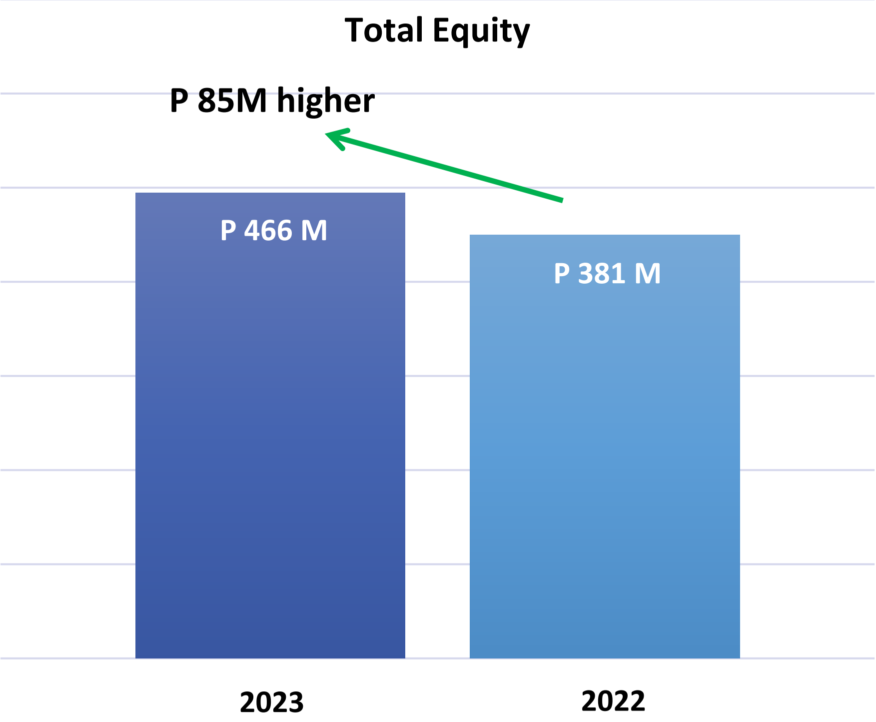


# Deficit

| | 2023 | 2022 |
|---|---|---|
| Deficit | P 589,819,746 | P 685,606,101 |

# Total Equity

| | 2023 | 2022 |
|---|---|---|
| Total Equity | P 466,535,200 | P 381,503,851 |




Deliver on Commitment. Serve for Fulfillment.

# Conclusion



Profitable company in 2023

New challenges in 2024

Adhere to company values

Sustainability is crucial

# *Thank you!*

**Customers**

**LSC Board of Directors**

# *Thank you!*

BDO
Bank of the Philippine Islands
Metropolitan Bank and Trust Company
China Banking Corporation
Rizal Commercial Banking Corporation
SGV & Co.
BDO Stock Transfer Agent
Suppliers
Service Providers
Shareholders
Affiliates

# COVER SHEET

SEC Registration Number

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | 4 | 8 | 9 | 0 | 9 |

| | | | | | | | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | L | O | R | E | N | Z | O | | S | H | I | P | P | I | N | G | | | |
| | | | | | | | C | O | R | P | O | R | A | T | I | O | N | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | | | |

(Company's Full Name)

| | | | | | | | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2 | 0 | / | F | | T | I | M | E | S | | P | L | A | Z | A | | B | L | D | G. | | |
| | | | U | N | I | T | E | D | | N | A | T | I | O | N | S | | A | V | E | . | | |
| | | E | R | M | I | T | A | , | | M | A | N | I | L | A | | 1 | 0 | 0 | 0 | | | |

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

AMELITA M. INTALAN
Treasurer

Contact Person

(63) 8567-2180

Company Telephone Number

| | | | |
|---|---|---|---|
| 1 | 2 | 3 | 1 |

Fiscal Year

**ANNUAL REPORT (SEC FORM 17-A)**

**Form Type**

*August 10*

*Month* / *Day*
Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Article Number/Sec.

Total Amount of Borrowings

905

Total No. of Stockholders

Domestic

Foreign

---

To be accomplished by SEC Personnel

File Number

**LCU**

Document I.D

**Cashier**

S T A M P S

**SECURITIES AND EXCHANGE COMMISSION**

**SEC FORM 17-A, *AS AMENDED***

**ANNUAL REPORT PURSUANT TO SECTION 17**
**OF THE SECURITIES REGULATION CODE AND SECTION 141**
**OF THE CORPORATION CODE OF THE PHILIPPINES**

1. For the fiscal year ended 31 December 2023

2. SEC Identification Number 48909 3. BIR Tax Identification No. 000-628-958-000

4. Exact name of issuer as specified in its charter LORENZO SHIPPING CORPORATION

5. PHILIPPINES
Province, Country or other jurisdiction of incorporation or organization

6. (SEC Use Only)
Industry Classification Code:

7. 20th Floor, Times Plaza Building, United Nations Avenue, Ermita — 1000
Address of principal office — Postal Code

8. (632) 8567 2171 to 80
Issuer's telephone number, including area code

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

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

| Title of Each Class | Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding |
|---|---|
| Common Stock | 554,642,251 |

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

Yes [X] No [ ]

If yes, state the name of such stock exchange and the classes of securities listed therein:

The Philippine Stock Exchange, Inc. — Common

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);

Yes [X] No [ ]

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

Yes [X] No [ ]

13. Aggregate value of the voting stock held by non-affiliates: N/A

## PART 1 – BUSINESS AND GENERAL INFORMATION

ITEM 1 – BUSINESS

Description of Business

A. Business Development

1. Form and year of organization

   Lorenzo Shipping Corporation (LSC) was incorporated on 17 October 1972 by the Go Family headed by Jose D. Go, Sr., primarily to engage in domestic inter-island cargo handling business. The Company has been an active participant in containerized cargo business and has played a significant role in the domestic shipping industry.

2. The Company has no record of any bankruptcy, receivership or similar proceedings during the past three years.

3. Material reclassification, merger or purchase or sale of significant amount of assets.

   The Company has not undergone any material reclassification, merger, consolidation nor purchase nor sale of a significant amount of its assets that are not in the ordinary course of business.

B. Business of Issuer

1. Description of Registrant

   i. Lorenzo Shipping Corporation was founded and incorporated in 1972. The Company owns and operates vessels with which it provides domestic inter-island cargo liner services to the general public. The Company's business focus has evolved from that of being a break-bulk cargo carrier to a fully containerized cargo shipping company.

      Lorenzo Shipping Corporation owns a fleet of five (5) vessels and three (3) vessels under a transport service contract. All vessels are deployed to the key ports in Manila, Visayas and Mindanao. The Company's vessels have a capacity ranging from 426 TEUs to 797 TEUs with speeds of 11 knots to 15 knots. LSC owns various equipment and facilities to efficiently handle customers' cargoes including a) land-based equipment such as forklifts, top lifts and trucks and b) container yards and warehouses in its branches and agencies.

   ii. The Company is engaged solely in domestic inter-island cargo liner services. Thus, the foreign sales requirement is not applicable.

   iii. Lorenzo Shipping Corporation markets its services through a network of branches and agencies nationwide. The network is comprised of seven branches: Cebu, Davao, General Santos, Cotabato, Iloilo, Cagayan de Oro, Bacolod and two agencies: Zamboanga and Dumaguete. Manila operations, under the Corporate Office, handles all inbound and outbound volume in Manila.

LSC provides 20-foot and 40-foot dry containers to its customers in which they can load their cargoes to various ports. LSC also carries rolling cargoes such as heavy equipment, trucks and vehicles as well as non-containerized cargoes such as steel products and bridging materials.

iv. Competitive business conditions and the registrant's competitive position in the industry and methods of competition:

LSC is one of the key players in the domestic containerized cargo shipping industry. It operates in the major ports of the country and deploys a fleet of eight (8) vessels. LSC prides itself as a reliable transport provider and through its various affiliate companies, is able to offer door-to-door shipping services.

LSC considers other containerized cargo shipping companies as its competitors such as 2GO Group, Inc. (2GO), Philippine Span Asia Carrier Corp. (PSACC), Solid Shipping Lines, Inc. and Oceanic Container Lines, Inc. among others. 2GO caters to both passenger and cargo market while the rest are cargo carriers.

Competition among domestic lines is intense, given the overcapacity of vessels aggravated by new entrants in the industry in the previous years. The industry is also governed by the rules and regulations of the Maritime Industry Authority (MARINA).

LSC is a member of the Philippine Liner Shipping Association (PLSA) whose members account for around 80% of the total containerized volumes nationwide.

v. Sources and availability of raw materials and the names of principal suppliers:

Major suppliers of fuel, spare parts, container vans and others.

| **Name of Supplier** | **Items Supplied** |
|---|---|
| Marine Fuels Philippines | Fuel |
| Nmc Container Lines Inc. | Voyage service fee and container rental |
| Manila North Harbour Port Inc. | Arrastre, stevedoring, storage, rental and weighing charges |
| Petrophilippines Co Inc | Fuel |
| Mindanao International Container Terminal Services Incorporated | Arrastre and stevedoring charges |
| Pioneer Insurance & Surety Corporation | Insurance |
| Central Inter-Transport Logistics Corp. | Arrastre, stevedoring, wharfage, rentals and hustling charges |
| Ecology Marine Corporation | Fuel |
| Roadlink Solutions Inc. | Hauling Services |
| Herma Shipyard, Inc. | Vessel repair |
| Transpartner Trucking Services | Hauling Services |
| Melcon Development Corporation | Rental |
| Sacortoza Enterprises | Hauling Services |
| Globalport Zamboanga Terminal Inc | Arrastre and stevedoring charges |
| Es Trucking & Forwarders, Inc | Hauling Services |
| Lubri-Chem Philippines Distributors Inc. | Fuel and lubricants |
| Total Way Company Inc | Hauling Services |
| Magsaysay Shipmanagement Inc. | Shipmanagement |

| Name of Supplier | Items Supplied |
|---|---|
| Bredco | Arrastre and stevedoring charges |
| Cebu Integrated Arrastre Inc | Arrastre, stevedoring, wharfage and hustling charges |

vi. Major customers/clients of LSC

Top 20 Customers

1. Coca-Cola Beverage Philippines, Inc.
2. Nestle Philippines, Inc.
3. URC Group
4. Deco Arts Marketing Inc.
5. Pepsi-Cola Products Phils. Inc.
6. Century Pacific Food, Inc.
7. DJ Fast Forwarders, Inc.
8. Panasonic Manufacturing Philippines Corporation
9. Tanduay Distillers, Inc.
10. Icebox Logistics Services, Inc.
11. Del Monte Philippines, Inc.
12. One Stop Logistics Solutions, Inc.
13. Liwayway Marketing
14. Lamsan Inc.
15. Zenith Foods Corporation
16. All Asian Countertrade, Inc.
17. Kareila Management Corporation
18. Benby Enterprises Inc.
19. Pilmico Foods Corporation
20. Pioneer Float Glass Manufacturing, Inc.

The business is not dependent upon a single customer or a few customers, the loss of any or more of which will not have material adverse effect on the Company.

vii. The business of the Company is not in any way dependent on related parties' transactions.

viii. Licenses, Concessions, Labor contracts, including duration;

a) With Maritime Industry Authority (MARINA) registration

LSC vessels are duly registered with MARINA and subjected to regular MARINA survey and International Safety Management (ISM) Code audits to ascertain its adherence to vessel and manning safety standards. The Company has been granted a company Certificate of Public Convenience (CPC) for the five (5) vessels under RA 9295 valid for 25 years from June 7, 2005 to June 7, 2030 by the MARINA to service domestic ports of call.

For the transport service contract with NMCCLI, the vessels are duly registered with MARINA and are subject to regular MARINA survey and ISM audits to ascertain adherence to vessel and manning safety standards. To comply with the revised RA 9295 IRR issued in 2014, the Company applied and has been granted a Revalidated Certificate of Public Convenience (CPC) valid from October 22, 2015 to June 7, 2030 by the MARINA to service domestic ports of call.

b) Labor contracts

For sea-based employees, the Collective Bargaining Agreement with licensed crewmembers shall be in effect from 01 September 2020 up to 31 August 2025, and with unlicensed crew members from 16 September 2020 up to 15 September 2025. The economic provisions of both Agreements were concluded on December 2023.

For land-based employees, the Collective Bargaining Agreement was no longer present since its dissolution on 30 October 2020 under Case No. NCR-CFO-C-01-01-10-20.

c) Licenses and Franchises

For licenses and franchises of vessels, while principal terms are anchored solely on the seaworthiness of the vessel (of which the registrant is already ISM-Certified by the regulatory authority) only the following expiration dates are disclosed:

**M/V LORCON MANILA**

| Certificates and Licenses | Date Issued | Date Expiry | Status |
|---|---|---|---|
| Certificate of Ownership (CO) | 11/08/10 | | Permanent |
| Certificate of Vessel Registry (CVR) | 11/08/10 | | Permanent |
| Certificate of Public Convenience (CPC) | 10/22/15 | 06/07/30 | Valid |
| Cargo Ship Safety Certificate | 09/11/23 | 05/14/24 | Valid |
| Coastwise License (CWL) | 09/11/23 | 10/23/24 | Valid |
| Radio Station License (RSL) | 09/11/23 | 09/25/25 | Valid |
| Coastwise Loadline Certificate (CLLC) | 11/24/21 | 11/14/26 | Valid |

**M/V LORCON GENERAL SANTOS**

| Certificates and Licenses | Date Issued | Date Expiry | Status |
|---|---|---|---|
| Certificate of Ownership (CO) | 08/13/12 | | Permanent |
| Certificate of Vessel Registry (CVR) | 08/13/12 | | Permanent |
| Certificate of Public Convenience (CPC) | 10/22/15 | 06/07/30 | Valid |
| Cargo Ship Safety Certificate | 08/01/23 | 08/04/24 | Valid |
| Coastwise License (CWL) | 07/19/23 | 08/15/24 | Valid |
| Radio Station License (RSL) | 06/13/22 | 08/16/24 | Valid |
| Coastwise Loadline Certificate (CLLC) | 06/29/21 | 07/19/25 | Valid |

**M/V LORCON DUMAGUETE**

| Certificates and Licenses | Date Issued | Date Expiry | Status |
|---|---|---|---|
| Certificate of Ownership (CO) | 05/14/10 | | Permanent |
| Certificate of Vessel Registry (CVR) | 05/14/10 | | Permanent |
| Certificate of Public Convenience (CPC) | 10/22/15 | 06/07/30 | Valid |
| Cargo Ship Safety Certificate | 11/17/23 | 08/12/24 | Valid |
| Coastwise License (CWL) | 04/05/23 | 05/13/24 | Valid |
| Radio Station License (RSL) | 11/10/23 | 05/16/24 | Valid |
| Coastwise Loadline Certificate (CLLC) | 05/26/21 | 02/28/25 | Valid |

**M/V LORCON BACOLOD**

| Certificates and Licenses | Date Issued | Date Expiry | Status |
|---|---|---|---|
| Certificate of Ownership (CO) | 06/10/14 | | Permanent |
| Certificate of Vessel Registry (CVR) | 06/10/14 | | Permanent |
| Certificate of Public Convenience (CPC) | 10/22/15 | 06/07/30 | Valid |
| Cargo Ship Safety Certificate | 04/25/23 | 12/31/24 | Valid. |
| Coastwise License (CWL) | 05/15/23 | 06/09/24 | Valid |
| Radio Station License (RSL) | 01/30/23 | 06/12/24 | Valid |
| Coastwise Loadline Certificate (CLLC) | 04/27/23 | 12/31/24 | Valid |

**M/V LORCON ILOILO**

| Certificates and Licenses | Date Issued | Date Expiry | Status |
|---|---|---|---|
| Certificate of Ownership (CO) | 05/07/15 | | Permanent |
| Certificate of Vessel Registry (CVR) | 05/07/15 | | Permanent |
| Certificate of Public Convenience (CPC) | 10/22/15 | 06/07/30 | Valid |
| Cargo Ship Safety Certificate | 05/09/23 | 05/09/24 | Valid |
| Coastwise License (CWL) | 04/05/23 | 05/13/24 | Valid |
| Radio Station License (RSL) | 02/03/23 | 05/14/24 | Valid |
| Coastwise Loadline Certificate (CLLC) | 04/05/19 | 03/14/24 | Expired. As of date of this report, MV Lorcon Iloilo is still in drydock. The CLLC will be secured upon completion of drydocking. |

**M/V GENERAL NATIVIDAD**

| Certificates and Licenses | Date Issued | Date Expiry | Status |
|---|---|---|---|
| Certificate of Public Convenience (CPC) | 06/25/15 | 03/29/35 | Valid |
| Cargo Ship Safety Certificate | 05/10/23 | 05/03/24 | Valid |
| Coastwise License (CWL) | 06/19/23 | 07/29/24 | Valid |
| Radio Station License (RSL) | 01/17/23 | 07/16/24 | Valid |
| Coastwise Loadline Certificate (CLLC) | 04/21/22 | 01/22/25 | Valid |

**M/V GENERAL EVANGELISTA**

| Certificates and Licenses | Date Issued | Date Expiry | Status |
|---|---|---|---|
| Certificate of Public Convenience (CPC) | 06/25/15 | 03/29/35 | Valid |
| Cargo Ship Safety Certificate | 01/11/24 | 01/14/28 | Valid |
| Coastwise License (CWL) | 11/20/23 | 12/18/24 | Valid |
| Radio Station License (RSL) | 10/11/23 | 11/23/25 | Valid |
| Coastwise Loadline Certificate (CLLC) | 01/26/23 | 01/14/28 | Valid |

**M/V RASALAS**

| Certificates and Licenses | Date Issued | Date Expiry | Status |
|---|---|---|---|
| Certificate of Public Convenience (CPC) | 06/25/15 | 03/29/35 | Valid |
| Cargo Ship Safety Certificate | 11/08/23 | 05/28/24 | Valid |
| Coastwise License (CWL) | 05/18/23 | 06/14/24 | Valid |
| Radio Station License (RSL) | 12/02/22 | 05/22/24 | Valid |
| Coastwise Loadline Certificate (CLLC) | 06/26/23 | 06/20/28 | Valid |

ix. The Company has no pending request for approval from any government body.

x. There is no record of cost incurred for research and development.

xi. Costs and effects of compliance with environmental laws

The Company complies with the Anti-Pollution Act, which requires the control of smoke emission coming from the vessels and disallows spilling or dumping of oil into the sea. The Company complies with such regulations through the effective utilization of equipment such as bridge sludge tank. However, the cost of such equipment is not separately accounted for in the Company's books. The cost of compliance is not significant in amount.

xii. Total number of employees and number of full time employees
As of 31 December 2023, the total sea-based manpower is 61 and the total land-based manpower is 182.

ITEM 2 – PROPERTIES

The description, ownership, and limitation on ownership of the principal properties of the Company are shown below.

A. Vessel in Operations:

| VESSEL/YEAR BUILT | | OWNERSHIP STATUS | GRT & DWT IN METRIC TON | | CAPACITY IN TEUs/LIEN | SERVICE ROUTE |
|---|---|---|---|---|---|---|
| LORCON MANILA | 1996 | COMPANY-OWNED | 4,328 | 5,998 | 426 | MNL-DGT-BCD-ILO-MNL |

| | | | | | | |
|---|---|---|---|---|---|---|
| LORCON GENERAL SANTOS | 2000 | COMPANY-OWNED | 5,234 | 6,030 | 510 | MNL-CEB-TAG-ILO-BCD-MNL |
| LORCON ILOILO | 2003 | COMPANY-OWNED | 4,462 | 5,608 | 505 MORTGAGED | MNL-CEB-DVO-ZAM-ILO-MNL |
| LORCON BACOLOD | 1999 | COMPANY-OWNED | 4,450 | 5,607 | 431 MORTGAGED | MNL-CEB-TAG-ILO-BCD-MNL |
| LORCON DUMAGUETE | 1999 | COMPANY-OWNED | 7,970 | 9,823 | 797 | MNL-DVO-ZAM-GES-CBO-CEB-MNL |
| GENERAL EVANGELISTA | 1997 | SEA TRANSPORT SERVICE | 5,025 | 5,450 | 516 | MNL-TAG-CBU-MNL |
| GENERAL. NATIVIDAD | 1999 | SEA TRANSPORT SERVICE | 4,450 | 5,603 | 433 | MNL-CEB-DVO-ZAM-ILO-MNL |
| RASALAS | 2002 | SEA TRANSPORT SERVICE | 7,016 | 9,131 | 515 | MNL-DVO-ZAM-GES-CBO-CEB-MNL |
| LORCON MANILA | 1996 | COMPANY-OWNED | 4,328 | 5,998 | 426 | MNL-DGT-BCD-ILO-MNL |

The limitations are those that are usual to ordinary mortgages of chattel and real properties.

The Company owns a land in Bacolod with a total area of 6,282 square meters located at Bredco 2, Reclamation Area, Bacolod City.

The Company has no intention to acquire properties not in the ordinary course of business in the next twelve months.

B. Company Leases:

The Company leases from various entities the following properties for its operations, to wit:

1. A container yard covering an area of 2,000 square meters located at Polloc Port, Parang, Maguindanao, Cotabato City. As stipulated, the contract is valid for a period of one (1) year commencing January 1, 2024, until December 31, 2024.

2. An office space with an area of approximately 58.495 square meters located at Door No. 7, Ground Floor, Waterside Living Complex Bldg., Julio Pacana St, Brgy. 23, Cagayan de Oro City.

3. A container yard with an office covering an area of 30,000 square meters located at Phividec Estate of Misamis Oriental (PIE-MO), Municipalities of Tagaloan and Villanueva, Province of Misamis Oriental. The contract is valid for a period of ten (10) years commencing September 1, 2018, and ending on August 31, 2028.

4. A container yard covering an area of 10,000 square meters located at Barangay Tangke, Talisay City, Cebu. The contract is for renewal.

5. A parcel of land with a building consisting of approximately 5,814 square meters, more or less, located at P.I. Compound, Barangay Labangal, General Santos City. The contract is valid for a period of five (5) years commencing March 1, 2021, until February 28, 2026.

6. A container yard with an area of 7,000 square meters located at Barangay Balabago, Jaro, Iloilo City. The contract is valid for a period of five (5) years commencing September 1, 2019, until August 31, 2024.

7. A container office located in Barangay Balabago, Jaro, Iloilo City with an area of approximately 150 square meters. The contract is valid until August 31, 2024.

8. An office space covering an area of 811.74 square meters located at Times Plaza Building, U.N. Ave. Cor. Taft Ave., Ermita, Manila. The contract is for the period September 1, 2020, to August 31, 2027.

9. In Zamboanga, a container yard covering an area of 8,250 square meters located at Lot 387-A-2, San Roque, Zamboanga City. The contract is valid for a period of one (1) year commencing February 01, 2023 until January 31, 2024. The contract has been renewed for another one (1) year commencing on February 01, 2024 until January 31, 2025.

10. A container yard located at Bacong, Negros Oriental covering an area of 8,832 sqm. The contract is valid for three (3) years commencing January 1, 2023, until 31 December 2025.

11. A container yard and a container office, with an area of 13,000 square meters located at #15 Old Airport Road, Km. 9, Sasa, Davao City. The contract is for five (5) years from 01 April 2019 until 31 March 2024.

12. A 4-unit office space with 25 square meters per unit at Manila North Harbor, Tondo Manila. Contract is for the period March 1, 2022 until February 28, 2023, and also for the period March 1, 2023 until February 29, 2024. The contract has been renewed for another one (1) ear commencing on March 1, 2024 until February 28, 2025.

13. A container yard and office covering 13,731.58 square meters addressed at North Bay NBBS, Navotas City. The contract commenced on February 1, 2023 until 31 January 2027.

## ITEM 3 – LEGAL PROCEEDINGS

The Company is the defendant in several pending legal cases involving claims for damages arising from the ordinary course of business and trade and those arising from its relationship with its employees, as the latter's employer. The management opines, however, that the ultimate liability that may result from these lawsuits and claims, if any would not impinge on the financial position and operating results of the Company.

The Company had a case involving alleged deficiency taxes for the taxable year 2008 amounting to P2.01 Billion, inclusive of penalties, interest and surcharges.

On June 28, 2018, the CTA 3rd Division issued a Decision favorable to the Company thereby cancelling and declaring the P2.01 billion assessment as null and void. As anticipated, the Commissioner of Internal Revenue (CIR) filed a Motion for Reconsideration which, however, was subsequently denied by the CTA 3rd Division on October 29, 2018. From this adverse Resolution, the CIR accordingly filed a Petition for Review with the CTA En Banc on November 27, 2018. The Company filed its Comments/Opposition to the BIR's Petition for review last February 8, 2019.

On February 3, 2020, the CTA En Banc No. 1964 was submitted for resolution/decision of the CTA en banc. On January 26, 2021, the CTA En Banc promulgated its decision denying the Petition for Review filed by the BIR. Subsequently, the BIR, on March 10, 2021, filed a Motion for Reconsideration of the CTA En Banc's decision. The CTA En Banc in its resolution dated October 8, 2021, denied BIR's Motion for Reconsideration.

The matter was elevated to the Supreme Court by the BIR who asked for an extension to file the Petition for Review on Certiorari. The Company has not received any copy of the Petition for Certiorari. The BIR has not filed any Petition before the Supreme Court despite the motion for extension of time. Thus, in a *Resolution* dated 25 July 2023 the Supreme Court resolved to declare the case closed and terminated, and directed the Division Clerk of Court to inform the parties that the judgment sought to be reviewed had become final and executory.

Dy, Soriano and Gatchalian Law Offices (DSG Law Offices) was the appointed legal representative for defending the position of the Company.

ITEM 4 – SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matter was submitted to a vote of security holders, through the solicitation of proxies or otherwise during the fourth quarter of 2023.

## PART II – OPERATIONAL AND FINANCIAL INFORMATION

ITEM 5 – MARKET FOR ISSUER'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

**1) Principal market where the registrant's common equity is traded**

The common stock of LSC is listed in The Philippine Stock Exchange, Inc.

***Stock Prices***

The high and low prices of LSC's shares in the stock exchange for each quarter of fiscal years 2021, 2022, and 2023 are as follows:

| 2021 | High | Low |
|---|---|---|
| Q1 | 1.06 | 0.95 |
| Q2 | 1.08 | 1.07 |
| Q3 | 0.94 | 0.93 |
| Q4 | 0.91 | 0.90 |
| | | |
| **2022** | **High** | **Low** |
| Q1 | 0.85 | 0.85 |
| Q2 | 0.68 | 0.63 |

| | | |
|---|---|---|
| Q3 | 0.55 | 0.53 |
| Q4 | 0.455 | 0.450 |
| | | |
| **2023** | **High** | **Low** |
| Q1 | 0.69 | 0.66 |
| Q2 | 0.65 | 0.63 |
| Q3 | 0.62 | 0.54 |
| Q4 | 0.56 | 0.55 |

***In 2023, the highest and lowest prices of LSC's shares were P0.91 and P0.485 respectively. The stock price of LSC closed at P0.55 on 29 February 2024.***

The number of shareholders of record as of 29 February 2024 is 898 stockholders. The total number of shares outstanding as of 29 February 2024 is 554,642,251, with a par value of P1.00.

The top twenty (20) shareholders of the Company as of 29 February 2024 are as follows:

| | STOCKHOLDER'S NAME | NATIONALITY | NO. OF SHARES HELD | PERCENTAGE OVER TOTAL OUTSTANDING |
|---|---|---|---|---|
| 1 | NATIONAL MARINE CORPORATION | [redacted] | [redacted] | [redacted] |
| 2 | PCD NOMINEE CORPORATION (FILIPINO) | [redacted] | [redacted] | [redacted] |
| 3 | PROFESSIONAL MARKETING INSIGHTS INC. | [redacted] | [redacted] | [redacted] |
| 4 | OSCAR Y. GO | [redacted] | [redacted] | [redacted] |
| 5 | JOSE GO JR. | [redacted] | [redacted] | [redacted] |
| 6 | JULIO D. SY JR. | [redacted] | [redacted] | [redacted] |
| 7 | PCD NOMINEE CORPORATION (NON-FILIPINO) | [redacted] | [redacted] | [redacted] |
| 8 | JONATHAN D. SY | [redacted] | [redacted] | [redacted] |
| 9 | EMERGING MARKET CAPITAL HOLDINGS | [redacted] | [redacted] | [redacted] |
| | JOHNNY S. LIM | [redacted] | [redacted] | [redacted] |
| | LILIAN SO LIM | [redacted] | [redacted] | [redacted] |
| | FRANCISCO LIM LAO | [redacted] | [redacted] | [redacted] |
| | JOSE JUAN POU | [redacted] | [redacted] | [redacted] |
| 10 | WILLINGTON CHUA | [redacted] | [redacted] | [redacted] |
| 11 | DIANA F. MALIG | [redacted] | [redacted] | [redacted] |

| | | | | |
|---|---|---|---|---|
| 12 | REGINA CAPITAL DEV. CORP. 000351 | [redacted] | [redacted] | [redacted] |
| 13 | RCBC SECURITIES, INC. | [redacted] | [redacted] | [redacted] |
| 14 | PAC SALLY C. ONG | [redacted] | [redacted] | [redacted] |
| 15 | LUIS M. CAMUS | [redacted] | [redacted] | [redacted] |
| | SIEWNGAN PHILIP LOW | [redacted] | [redacted] | [redacted] |
| | REGINALDO A. OBEN | [redacted] | [redacted] | [redacted] |
| | WALFRIDO R. PATAWARAN | [redacted] | [redacted] | [redacted] |
| | PHIEK LIAN GO SO | [redacted] | [redacted] | [redacted] |
| | TEGO HOLDINGS, INC. | [redacted] | [redacted] | [redacted] |
| 16 | JACINTO V. ROSALES JR. | [redacted] | [redacted] | [redacted] |
| 17 | R. J. DEL PAN & CO. | [redacted] | [redacted] | [redacted] |
| 18 | VICKY L. CHAN | [redacted] | [redacted] | [redacted] |
| 19 | CARMEN C. ALABADA | [redacted] | [redacted] | [redacted] |
| | ANGELITA B. FLORES | [redacted] | [redacted] | [redacted] |
| | ANGELITA B. FLORES | [redacted] | [redacted] | [redacted] |
| | GERARDO R. FLORES | [redacted] | [redacted] | [redacted] |
| | GERARDO R. FLORES | [redacted] | [redacted] | [redacted] |
| | HOUSE OF INVESTMENTS, INC. | [redacted] | 62,500 | 0.011% |
| | JULIETA R. OFILADA | [redacted] | [redacted] | [redacted] |
| | JULIETA R. OFILADA | [redacted] | [redacted] | [redacted] |
| | RENATO REYES | [redacted] | [redacted] | [redacted] |
| | ELAINE VILLAR RIVILLA | [redacted] | [redacted] | [redacted] |
| | SUN HUNG KAI SEC. (PHILS) INC. A/C GA209 | [redacted] | [redacted] | [redacted] |
| | FELISA Y. TAN | [redacted] | [redacted] | [redacted] |
| 20 | MARINO OLONDRIZ Y CIA | [redacted] | [redacted] | [redacted] |

Dividend Policy

LSC adopts a policy for the declaration of dividends from the net profits of the corporation at such time or times and such percentage as the Board of Directors may deem proper. However, no dividends shall be declared that will impair the capital of the Company.

**2) Recent Sales of Unregistered Securities**

Within the past five (5) years, there has been no sale of the Company's Securities which were not registered under the Securities Regulations Code.

### 3) Description of Registrant's Securities

Since 2006, the Company's authorized capital stock consists of common stock and treasury shares.

Common shareholders have voting rights and appraisal rights, subject to and pursuant to the provisions of the Corporation Code.

Under the law and the Company's Articles of Incorporation, foreign ownership is restricted to forty percent (40%). It provides that no transfer of shares or interest, which will render the ownership of the Filipino citizens to less than the required percentage of the capital stock as provided by existing law, shall be allowed or permitted to be recorded in the books of the Company.

ITEM 6 - MANAGEMENT DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

## CALENDAR YEAR 2023

| STATEMENTS OF FINANCIAL POSITION | December 31 | | Movement | |
|---|---|---|---|---|
| | **2023** | 2022 | In Peso | In Percentage |
| **ASSETS** | | | | |
| **Current Assets** | | | | |
| Cash | **99,128,666** | 62,526,759 | 36,601,907 | 59% |
| Trade and other receivables | **647,299,769** | 743,761,535 | (96,461,766) | -13% |
| Contract assets | **4,041,317** | 9,418,443 | (5,377,126) | -57% |
| Inventories | **61,474,637** | 78,446,460 | (16,971,823) | -22% |
| Prepayments and other current assets | **203,538,050** | 134,983,284 | 68,554,766 | 51% |
| **Total Current Assets** | **1,015,482,439** | 1,029,136,481 | (13,654,042) | -1% |
| **Noncurrent Assets** | | | | |
| Property and equipment | | | | |
| At cost | **1,240,672,522** | 1,111,102,425 | 129,570,097 | 12% |
| At revalued amount | **175,896,000** | 175,896,000 | - | 0% |
| Computer Software | **3,060,765** | 3,956,598 | (895,833) | -23% |
| Deferred tax asset | **6,995,849** | - | 6,995,849 | 0% |
| Other noncurrent assets | **651,292,082** | 610,335,517 | 40,956,565 | 7% |
| **Total Non-Current Assets** | **2,077,917,218** | 1,901,290,540 | 176,626,678 | 9% |
| **TOTAL ASSETS** | **3,093,399,657** | 2,930,427,021 | 162,972,636 | 6% |
| **LIABILITIES AND EQUITY** | | | | |
| **Current Liabilities** | | | | |
| Accounts payable and accrued expenses | **1,585,687,460** | 1,649,780,869 | (64,093,409) | -4% |
| Short-term borrowings | **341,963,292** | 320,640,916 | 21,322,376 | 7% |
| Current portion of: | | | | |
| Long-term borrowings | **67,120,578** | 101,581,177 | (34,460,599) | -34% |
| Lease Liability - Current | **65,247,182** | 33,832,479 | 31,414,703 | 93% |
| Long-term borrowings - related party | **24,814,918** | - | 24,814,918 | 0% |
| **Total Current Liabilities** | **2,084,833,430** | 2,105,835,441 | (21,002,011) | -1% |
| **Noncurrent Liabilities** | | | | |
| Long-term borrowings - net of current portion | **71,712,782** | 138,226,553 | (66,513,771) | -48% |
| Lease Liability - Non-current | **164,296,787** | 53,797,674 | 110,499,113 | 205% |
| Other noncurrent liabilities | **200,410,450** | 150,305,719 | 50,104,731 | 33% |
| Retirement benefit obligation | **105,611,008** | 76,547,471 | 29,063,537 | 38% |
| Deferred tax liability | **-** | 24,210,312 | (24,210,312) | -100% |
| **Total Non-Current Liabilities** | **542,031,027** | 418,877,417 | 123,153,610 | 29% |
| **Total Liabilities** | **2,626,864,457** | 2,524,712,858 | 102,151,599 | 4% |
| **Equity** | | | | |
| Capital Stock | **555,652,251** | 555,652,251 | - | 0% |
| Additional paid-in capital | **459,791,492** | 459,791,492 | - | 0% |
| Revaluation Surplus | **72,643,023** | 72,643,023 | - | 0% |
| Actuarial losses on defined benefit plan | **(28,605,970)** | (17,850,964) | (10,755,006) | 60% |
| Deficit | **(589,819,746)** | (685,606,101) | 95,786,355 | -14% |
| Treasury shares at cost | **(3,125,850)** | (3,125,850) | - | 0% |
| **Total Equity** | **466,535,200** | 381,503,851 | 85,031,349 | 22% |
| **TOTAL LIABILITIES AND EQUITY** | **3,093,399,657** | 2,906,216,709 | 187,182,948 | 6% |

| STATEMENTS OF COMPREHENSIVE INCOME | December 31 | | Movement | |
|---|---|---|---|---|
| | **2023** | 2022 | Increase (Decrease) | |
| **FREIGHT REVENUE** | **3,280,896,707** | 3,299,471,438 | (18,574,731) | -1% |
| **DIRECT COSTS** | | | | |
| Cost of services | **2,640,300,101** | 2,824,867,551 | (184,567,450) | -7% |
| Terminal expenses | **249,314,899** | 240,214,878 | 9,100,021 | 4% |
| | **2,889,615,000** | 3,065,082,429 | (175,467,429) | -6% |
| **GROSS PROFIT** | **391,281,707** | 234,389,009 | 156,892,698 | 67% |
| **GENERAL AND ADMINISTRATIVE EXPENSES** | **(217,516,154)** | (186,221,167) | (31,294,987) | 17% |
| **FINANCE COSTS AND OTHER CHARGES** - net | **(68,643,755)** | (50,805,414) | (17,838,341) | 35% |
| **OTHER INCOME (CHARGES)** - net | **19,837** | 21,319,220 | (21,299,383) | -100% |
| **INCOME (LOSS) BEFORE INCOME TAX** | **105,141,635** | 18,681,648 | 86,459,987 | 463% |
| **PROVISION FOR INCOME TAX** | | | | |
| Current | **39,999,876** | 10,161,699 | 29,838,177 | 294% |
| Deferred | **(30,644,596)** | (10,080,260) | (20,564,336) | 204% |
| | **9,355,280** | 81,439 | 9,273,841 | 11387% |
| **NET INCOME (LOSS)** | **95,786,355** | 18,600,209 | 77,186,146 | 415% |

## Results of Operations

Lorenzo Shipping Corporation ("LSC") recorded P3.28 billion in total freight revenues in 2023, 1% or P0.18 Billion lower than the P3.30 billion revenues in 2022. Total operating expense was P2.89 billion, a decrease of 6% from last year of P3.06 billion.

The Company ended with a Gross Profit of P391.28 million, an increase of 67% from P234.39 million in 2022.

General and Administrative expenses increased by P31 Million from P186 million in 2022 to P217 million in 2023.

Net Finance Costs amounted to P68.64 million, which was higher by 35% or P17.84 million versus last year's P50.81 due to an increase in interest rates.

Net Other Income was P.019 million in 2023, lower by P21.30 million than P21.32 million in 2022. The Company's "Other Income" in 2023 was from insurance proceeds and other cargo-related claims.

LSC's Net Income After Tax was P95.79 million, an increase in net income of 415% from P18.60 million net income in 2022. The income (loss) resulted in an equivalent loss per share of P0.17 and P0.03 in 2023 and 2022, respectively.

## Financial Condition

The total resources of the Company stood at P3.09 billion as of December 31, 2023, or P162.97 million higher than P2.93 billion as of 2022. Current assets amounted to P1.015 billion and P1.029 billion in 2023 and 2022, respectively. The net decrease in current assets was primarily due to the following:

- Increase in cash from P62.53 million to P99.13 million
- Decrease in trade and other receivables from P743.76 million to P647.40 million
- Decrease in inventories from P78.45 million to P61.47 million.
- Increase in prepayments and other current assets from P134.98 million to P203.54 million.

Total Non-Current Assets increased in 2023 to P2.07 billion from P1.90 billion in 2022. The Company's property and equipment costs increased primarily due to acquisition of new assets.

Other Non-Current Assets increased to P651.29 million in 2023 from P610.34 million in 2022 due to accumulated creditable withholding taxes.

Total Liabilities increased by P0.77 billion this year from P2.55 billion in 2022 to P2.63 billion at the end of 2023.

Accounts payable and other current liabilities decreased to P1.58 billion in 2023 from P1.65 billion in 2022.

Total bank borrowings as of 2022 amounted to P480.80 million, consisting of short-term & current borrowings of P409.08 million and long-term & non-current borrowings of P71.71 million. In comparison, as of December 2022, total borrowings were P560.45 million, consisting of short-term & current borrowings of P422.22 million and long-term & non-current borrowings of P138.23 million.

Obligations under finance lease reclassified to lease liability under new accounting standards (PFRS16) stood at the end of 2023 at 65.25 million and P164.30 million of current and non-current portions, respectively.

Retirement benefit obligation increased at the end of 2023, due to the increase of employees as a result of personnel transfers from the related party.

The positive operating results of the Company in 2023 reduced the retained deficit to P589.82 million from the P685.61 million retained deficit in 2022. The revaluation surplus stood at P72.64. Considering its capitalization of P1.015 billion, the Company's Total Equity at the end of 2023 amounted to P466.54 million.

The current ratio as of December 2022 stood at 0.49, the same as the result in 2022. Debt-to-Equity ratios were at 5.63 and 6.68 in 2023 and 2022, respectively. The Company's creditor banks requiring maintenance of specific financial ratios provided a waiver on the breach of debt covenants for the period ending 31 December 2023.

Book value per share in this period increased to P0.84 versus P0.69 in the prior period.

**Top Five Performance Indicators**

The following key results determine LSC's financial performance:

1. Current Ratio – represents the ratio between current assets and current liabilities, which measures liquidity and efficiency of LSC's ability to pay off its short-term liabilities with its current assets.
2. Debt-to-Equity Ratio – measures the financial leverage of LSC, how much debt is used to finance assets relative to the amount of value represented in shareholders' Equity.
3. Net Revenues – mainly composed of freight services recognized based on cargo loaded during the year, taking into account all direct costs related to the cargo and capacity costs incurred during the year.
4. Net Income Before Tax – is a quick indicator of the financial health of LSC.
5. Accounts Receivable (A/R) turnover – measures how efficiently LSC collects its receivables.

The table below represents the key performance indicators of LSC over the last three (3) years:

| Performance Indicators | Full Year | | |
|---|---|---|---|
| | 2023 | 2022 | 2021 |
| Current ratio | 0.49 | 0.49 | 0.52 |
| Debt-to-equity ratio | 5.63 | 6.68 | 7.47 |
| Net revenues | P3.280 billion | P3.299 billion | P2.871 billion |
| Net income (loss) before tax | P105.141 million | P18.682 million | (P88.408 million) |
| A/R turnover | 4.25 | 4.32 | 4.11 |

i. LSC is not aware of any event that will trigger direct or contingent financial obligations to LSC, including any default or acceleration of an obligation.
ii. LSC is not aware of any material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of LSC with unconsolidated entities or other persons created during the reporting period.
iii. LSC is not aware of any material commitments for Capital Expenditures.
iv. LSC is not aware of any known trends, events, or uncertainties that have had or are reasonably expected to have a material favorable or unfavorable impact on net sales, revenues, or income from continuing operations.
v. LSC is not aware of any significant elements of income or loss that did not arise from the registrant's continuing operations.
vi. LSC is not aware of any seasonal aspects that had a material effect on the financial condition or results of operations.

**Plan of Operation**

Gainful commercial results and a significantly higher net income compared to the previous year is a reflection of very profitable operations. Despite some difficulties during the latter part of 2023 which saw a decline in domestic consumption due to continuous inflationary increases, the Company endured and persevered to carry on with its strategic plan. Hoping to ride the momentum in the succeeding years, the team will relentlessly seek to find opportunities for improvement.

1. Sustaining schedule and service reliability brought about by regular maintenance of vessels and equipment in order to assure heightened customer experience remains to be one of the Company's top priorities.
2. Sales and Marketing to focus on high-yield cargoes and shipping routes to ensure healthy margins and profitability.
3. Carry on with institutionalized cost-rationalization programs to guarantee efficiency.
4. Augmentation of innovation and digital tools for maximum productivity.
5. Commence training and development of personnel for skills enhancement and fulfillment, including identification of deserving employees for career advancement.
6. Continue to keep track of billing and collection processes to safeguard necessary liquidity that supports day-to-day operations.

Perpetual monitoring of statutory compliance and risk-mitigation to maintain quality standards essential for delivering programs and projects that exceed the expectations of our stakeholders and customers.

## CALENDAR YEAR 2022

## Review of CY 2022 operations vs CY 2021

| STATEMENTS OF FINANCIAL POSITION | December 31 | | Movement | |
|---|---|---|---|---|
| | **2022** | 2021 | In Peso | In % |
| **ASSETS** | | | | |
| **Current Assets** | | | | |
| Cash | **62,526,759.00** | 131,884,869 | (69,358,110) | -53% |
| Trade and other receivables | **813,160,119.00** | 715,068,997 | 98,091,122 | 14% |
| Contract assets | **9,418,443.00** | 66,127,451 | (56,709,008) | -86% |
| Inventories | **78,446,460.00** | 63,354,805 | 15,091,655 | 24% |
| Prepayments and other current assets | **65,584,700.00** | 38,391,061 | 27,193,639 | 71% |
| **Total Current Assets** | **1,029,136,481.00** | 1,014,827,183 | 14,309,298 | 1% |
| | | | | |
| **Noncurrent Assets** | | | | |
| Property and equipment | | | | |
| At cost | **1,111,102,425.00** | 1,133,332,920 | (22,230,495) | -2% |
| At revalued amount | **175,896,000.00** | 157,050,000 | 18,846,000 | 12% |
| Computer Software | **3,956,598.00** | - | 3,956,598 | 100% |
| Other noncurrent assets | **610,335,517.00** | 548,154,461 | 62,181,056 | 11% |
| **Total Non-Current Assets** | **1,901,290,540.00** | 1,838,537,381 | 62,753,159 | 3% |
| **TOTAL ASSETS** | **2,930,427,021.00** | 2,853,364,564 | 77,062,457 | 3% |
| | | | | |
| **LIABILITIES AND EQUITY** | | | | |
| **Current Liabilities** | | | | |
| Accounts payable and accrued expenses | **1,649,780,869.00** | 1,457,647,985 | 192,132,884 | 13% |
| Short-term borrowings | **320,640,916.00** | 368,272,360 | (47,631,444) | -13% |
| Lease Liability - Current | **33,832,479.00** | 44,694,345 | (10,861,866) | -24% |
| Current portion of: | | | | |
| Long-term borrowings | **101,581,177.00** | 93,594,418 | 7,986,759 | 9% |
| **Total Current Liabilities** | **2,105,835,441.00** | 1,964,209,108 | 141,626,333 | 7% |
| | | | | |
| **Noncurrent Liabilities** | | | | |
| Long-term borrowings - net of current portion | **138,226,553.00** | 237,245,215 | (99,018,662) | -42% |
| Lease Liability - Non-current | **53,797,674.00** | 59,326,677 | (5,529,003) | -9% |
| Other noncurrent liabilities | **150,305,719.00** | 150,305,719 | - | 0% |
| Deferred tax liability | **24,210,312.00** | 19,549,827 | 4,660,485 | 24% |
| Retirement benefit obligation | **76,547,471.00** | 85,877,865 | (9,330,394) | -11% |
| **Total Non-Current Liabilities** | **443,087,729.00** | 552,305,303 | (109,217,574) | -20% |
| **Total Liabilities** | **2,548,923,170.00** | 2,516,514,411 | 32,408,759 | 1% |
| | | | | |
| **Equity** | | | | |
| Capital Stock | **555,652,251.00** | 555,652,251 | - | 0% |
| Additional paid-in capital | **459,791,492.00** | 459,791,492 | - | 0% |
| Revaluation Surplus | **72,643,023.00** | 58,508,523 | 14,134,500 | 24% |
| Actuarial losses on defined benefit plan | **(17,850,964.00)** | (29,769,953) | 11,918,989 | -40% |
| Deficit | **(685,606,101.00)** | (704,206,310) | 18,600,209 | -3% |
| Treasury shares at cost | **(3,125,850.00)** | (3,125,850) | - | 0% |
| **Total Equity** | **381,503,851.00** | 336,850,153 | 44,653,698 | 13% |
| **TOTAL LIABILITIES AND EQUITY** | **2,930,427,021.00** | 2,853,364,564 | 77,062,457 | 3% |

| STATEMENTS OF COMPREHENSIVE INCOME | December 31 | | Movement | | December 31 |
|---|---|---|---|---|---|
| | **2022** | 2021 | In Peso | In % | 2020 |
| **FREIGHT REVENUE** | **3,299,471,438** | 2,871,942,636 | 427,528,802 | 15% | 2,944,221,823 |
| **DIRECT COSTS** | | | | | |
| Cost of services | **2,824,867,551** | 2,600,274,704 | 224,592,847 | 9% | 2,615,487,124 |
| Terminal expenses | **240,214,878** | 220,205,431 | 20,009,447 | 9% | 297,801,127 |
| | **3,065,082,429** | 2,820,480,135 | 244,602,294 | 9% | 2,913,288,251 |
| **GROSS PROFIT** | **234,389,009** | 51,462,501 | 182,926,508 | 355% | 30,933,572 |
| **GENERAL AND ADMINISTRATIVE EXPENSES** | **(186,221,167)** | (142,095,705) | (44,125,462) | 31% | (123,453,199) |
| **FINANCE COSTS AND OTHER CHARGES -** net | **(50,805,414)** | (47,444,390) | (3,361,024) | 7% | (91,265,035) |
| **OTHER INCOME (CHARGES)** - net | **21,319,220** | 49,669,052 | (28,349,832) | -57% | 38,685,276 |
| **INCOME (LOSS) BEFORE INCOME TAX** | **18,681,648** | (88,408,542) | 107,090,190 | -121% | (145,099,386) |
| **PROVISION FOR INCOME TAX** | | | | | |
| Current | **10,161,699** | 368,528 | 9,793,171 | 2657% | 2,182,920 |
| Deferred | **(10,080,260)** | (4,193,337) | (5,886,923) | 140% | 27,179,170 |
| | **81,439** | (3,824,809) | 3,906,248 | -102% | 29,362,090 |
| **NET INCOME (LOSS)** | **18,600,209** | (84,583,733) | 103,183,942 | -122% | (174,461,476) |

## Results of Operations

Lorenzo Shipping Corporation ("LSC") recorded P3.30 billion in total freight revenues in 2022, 15% or P0.43 Billion higher than the P2.87 billion revenues in 2021. Total operating expense was P3.06 billion, an increase of 9% from last year of P2.82 billion. The increase in freight revenue was attributable to a series of cost-recovery initiatives which resulted in an increase in freight per TEU.

The Company ended with a Gross Profit of P234.39 million, an increase of 355% from P51.46 million in 2021.

General and Administrative expenses increased by P44 Million from P142 million in 2021 to P186 million in 2022.

Net Finance Costs amounted to P50.80 million, which was higher by 7% or P3.36 Million versus last year's P47.44 due to an increase in interest rates.

Net Other Income was P21.32 million in 2022, lower by P28.35 million than P49.67 million in 2021. The Company's "Other Income" in 2022 was from insurance proceeds and other cargo-related claims.

LSC's Net Income After Tax was P18.60 million, an increase in net income of 122% from P84.58 net loss million in 2021. The income (loss) resulted in an equivalent loss per share of P0.03 and (P0.15) in 2022 and 2021, respectively.

## Financial Condition

The total resources of the Company stood at P2.93 billion as of December 31, 2022, or P77.06 million higher than P2.85 billion as of 2021. Current assets amounted to P1.029 billion and P1.014 billion in 2022 and 2021, respectively. The net increase in current assets was primarily due to the following:

- Decrease in cash from P131.88 million to P62.53 million
- Increase in trade and other receivables from P781.20 million to P822.58 million
- Increase in inventories from P63.35 million to P78.45 million.
- Increase in prepayments and other current assets from P38.39 million to P65.58 million.

Total Non-Current Assets increased in 2022 to P1.90 billion from P1.84 billion in 2021. The Company's Property and equipment costs decreased primarily due to amortization and depreciation. Other Non-Current Assets increased to P610.34 million from P548.15 million in 2021 due to accumulated creditable withholding taxes.

Total Liabilities increased by P0.03 billion this year from P2.52 billion in 2021 to P2.55 billion at the end of 2022.

Accounts payable and other current liabilities increased to P1.65 billion in 2022 from P1.46 billion in 2021.

Total bank borrowings as of 2022 amounted to P560.45 million, consisting of short-term & current borrowings of P422.22 million and long-term & non-current borrowings of P138.23 million. In comparison, as of December 2021, total borrowings were P699.11 million, consisting of short-term & current borrowings of P461.87 million and long-term & non-current borrowings of P237.24 million.

Obligations under finance lease reclassified to lease liability under new accounting standards (PFRS16) stood at the end of 2022 at 33.83 million and P53.80 million of current and non-current portions, respectively.

Retirement benefit obligation decreased at the end of 2022, mainly due to the availments by eligible employees.

The positive operating results of the Company in 2022 reduced the retained deficit to P685.61 million from the P704.21 million retained deficit in 2021. The revaluation surplus increased by P14.13 million as of December 2022 due to an increase in the fair market value of land based on the recent independent appraisal report. Considering its capitalization of P1.015 billion, the Company's Total Equity at the end of 2022 amounted to P381.50 million.

The current ratio as of December 2022 stood at 0.49 compared with 0.52 at the end of 2021. Debt-to-Equity ratios were at 6.68 and 7.47 in 2022 and 2021, respectively. The Company's creditor banks requiring maintenance of specific financial ratios provided a waiver on the breach of debt covenants for the period ending 31 December 2022.

Book value per share in this period declined to P0.69 versus P0.61 in the prior period.

**<u>Top Five Performance Indicators</u>**

The following key results determine LSC's financial performance:

1. Current Ratio – represents the ratio between current assets and current liabilities, which measures liquidity and efficiency of LSC's ability to pay off its short-term liabilities with its current assets.
2. Debt-to-Equity Ratio – measures the financial leverage of LSC, how much debt is used to finance assets relative to the amount of value represented in shareholders' Equity.
3. Net Revenues – mainly composed of freight services recognized based on cargo loaded during the year, taking into account all direct costs related to the cargo and capacity costs incurred during the year.
4. Net Income Before Tax – is a quick indicator of the financial health of LSC.
5. Accounts Receivable (A/R) turnover – measures how efficiently LSC collects its receivables.

The table below represents the key performance indicators of LSC over the last three (3) years:

| Performance Indicators | Full Year | | |
|---|---|---|---|
| | 2022 | 2021 | 2020 |
| Current ratio | 0.49 | 0.52 | 0.50 |
| Debt-to-equity ratio | 6.68 | 7.47 | 5.99 |
| Net revenues | P3.299 billion | P2.871 billion | P2.657 billion |
| Net income (loss) before tax | P18.682 million | (P88.408 million) | (P61.562 million) |
| A/R turnover | 4.32 | 4.11 | 3.02 |

i. LSC is not aware of any event that will trigger direct or contingent financial obligations to LSC, including any default or acceleration of an obligation.
ii. LSC is not aware of any material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of LSC with unconsolidated entities or other persons created during the reporting period.
iii. LSC is not aware of any material commitments for Capital Expenditures.
iv. LSC is not aware of any known trends, events, or uncertainties that have had or are reasonably expected to have a material favorable or unfavorable impact on net sales, revenues, or income from continuing operations.
v. LSC is not aware of any significant elements of income or loss that did not arise from the registrant's continuing operations.
vi. LSC is not aware of any seasonal aspects that had a material effect on the financial condition or results of operations.

**Plan of Operation**

Despite cargo volume significantly increasing in 2022 compared to the pandemic years of 2021 and 2020, the Company faced the enormous challenge of recovering from the drastic escalation in cost brought about by unstable fuel price changes, elevated inflation, peso depreciation, high-interest rates, and inefficiencies brought about by port congestion. The first three quarters of the year were focused on various strategies aimed at overcoming these difficulties to ensure viable operations. These initiatives bore fruit in the fourth quarter as the Company began to manifest signs of recovery with the hope that it could be sustained in the succeeding years.

1. Reliable vessel schedule and consistency of services will continue to be one of the Company's top priorities as demand increases along with growth in domestic consumption.
2. Load factor optimization and yield management are critical in ensuring positive margins.
3. Activities directed at the development of skills and talent of personnel should greatly contribute to motivation the and general well-being of the workforce.
4. Continuous improvement, process enhancement, and quality assurance solutions are conceived and implemented to certify maximum efficiency.
5. Ongoing drive for innovation and digitalization will guarantee productivity and elevated customer experience.
6. Statutory compliance and risk-mitigation measures are established to ensure sustainability.

# CALENDAR YEAR 2021

## Review of CY 2021 operations vs CY 2020

| STATEMENTS OF FINANCIAL POSITION | 2021 Audited | 2020 Audited | Change In Pesos | In % |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Current Assets** | | | | |
| Cash and cash equivalents | 131,884,869 | 156,149,156 | (24,264,287) | -16% |
| Trade and other receivables | 715,068,997 | 758,107,021 | (43,038,024) | -6% |
| Contract assets | 66,127,451 | 31,484,434 | 34,643,017 | 110% |
| Inventories | 63,354,805 | 27,947,800 | 35,407,005 | 127% |
| Prepayments and other current assets | 38,391,061 | 46,724,923 | (8,333,862) | -18% |
| **Total Current Assets** | **1,014,827,183** | **1,020,413,334** | **(5,586,151)** | **-1%** |
| **Noncurrent Assets** | | | | |
| Property and equipment | 1,290,382,920 | 1,427,293,497 | (136,910,577) | -10% |
| Other noncurrent assets | 548,154,461 | 452,939,087 | 95,215,374 | 21% |
| **Total Noncurrent Assets** | **1,838,537,381** | **1,880,232,584** | **(41,695,203)** | **-2%** |
| **TOTAL ASSETS** | **2,853,364,564** | **2,900,645,918** | **(47,281,354)** | **-2%** |
| | | | | |
| **LIABILITIES AND EQUITY** | | | | |
| **Current Liabilities** | | | | |
| Accounts payable and other current liabilities | 1,457,647,985 | 1,517,519,302 | (59,871,317) | -4% |
| Short-term borrowings | 368,272,360 | 337,670,400 | 30,601,960 | 9% |
| Current portion of: | | | - | |
| Long-term borrowings | 93,594,418 | 86,206,323 | 7,388,095 | 9% |
| Lease liabilities | 44,694,345 | 81,714,303 | (37,019,958) | -45% |
| **Total Current Liabilities** | **1,964,209,108** | **2,023,110,328** | **(58,901,220)** | **-3%** |
| **Noncurrent Liabilities** | | | | |
| Noncurrent portion of: | | | | |
| Long-term borrowings | 237,245,215 | 277,583,508 | (40,338,293) | -15% |
| Lease liabilities | 59,326,677 | 87,524,147 | (28,197,470) | -32% |
| Retirement benefit obligation | 85,877,865 | 69,529,667 | 16,348,198 | 24% |
| Deferred tax liabilities - net | 19,549,827 | 27,643,732 | (8,093,905) | -29% |
| Other noncurrent liabilities | 150,305,719 | - | 150,305,719 | |
| **Total Noncurrent Liabilities** | **552,305,303** | **462,281,054** | **90,024,249** | **19%** |
| **Total Liabilities** | **2,516,514,411** | **2,485,391,382** | **31,123,029** | **1%** |
| **EQUITY** | | | | |
| Common stock | 555,652,251 | 555,652,251 | - | 0% |
| Additional paid-in capital | 459,791,492 | 459,791,492 | - | 0% |
| Revaluation | 58,508,523 | 54,607,955 | 3,900,568 | 7% |
| Actuarial losses on defined benefit plan | (29,769,953) | (32,048,735) | 2,278,782 | -7% |
| Deficit | (704,206,310) | (619,622,577) | (84,583,733) | 14% |
| Treasury shares at cost | (3,125,850) | (3,125,850) | - | 0% |
| **Total Equity** | **336,850,153** | **415,254,536** | **(78,404,383)** | **-19%** |
| **TOTAL LIABILITIES AND EQUITY** | **2,853,364,564** | **2,900,645,918** | **(47,281,354)** | **-2%** |

| STATEMENTS OF COMPREHENSIVE INCOME | Years Ended December 31 | | | |
|---|---|---|---|---|
| | **2021** | **2020** | **Change In Pesos** | **In %** |
| **NET INCOME (LOSS)** | **(84,583,733)** | (68,254,155) | (16,329,578) | 24% |
| **OTHER COMPREHENSIVE INCOME (LOSS)** | | | | |
| *Items that will not be reclassified to statements of income* | | | | |
| Revaluation increment in property and equipment | - | 6,282,000 | (6,282,000) | -100% |
| Income tax effect | - | (1,884,600) | 1,884,600 | -100% |
| Effect of CREATE | 3,900,568 | - | 3,900,568 | |
| Revaluation increment in property and equipment, ne | **3,900,568** | 4,397,400 | (496,832) | -11% |
| Actuarial gains (losses) on defined benefit plan | **2,278,782** | (5,127,460) | 7,406,242 | -144% |
| Reversal of deferred tax asset of actuarial gain (loss) on RBO | - | - | - | |
| Income tax effect | - | - | - | |
| Actuarial gains (losses) on defined benefit plan, net of tax | **2,278,782** | (5,127,460) | 7,406,242 | -144% |
| Total other comprehensive income (loss) for the year, net of tax | **6,179,350** | (730,060) | 6,909,410 | -946% |
| **TOTAL COMPREHENSIVE LOSS** | **(78,404,383)** | (68,984,215) | (9,420,168) | 14% |

## Results of Operations

Lorenzo Shipping Corporation ("LSC") recorded P2.87 billion in total freight revenues in 2021, at 8% or P0.22 Billion higher than the P2.66 billion revenues in 2020. Total operating expense was P2.82 billion, an increase of 10% from last year of P2.56 billion. The increase in freight revenue and direct cost was attributable to the increase in volume as pandemic quarantine restrictions had more clarity versus the previous year, which also enabled more economic activities.

The Company ended with a Gross Profit of P51.5 million, a decrease by 48% from P98.2 million in 2020.

General and Administrative expenses decreased by P28 Million from P169.81 million in 2020 to P142 million in 2021 due to reduced provision for bad debts (expected credit losses), taxes, and depreciation.

Net Finance Costs amounted to P47.44 million, which was lower by 28.77% or P19.16 Million versus last year's P66.61M due to lower interest rates and principal loan repayments.

Net Other Income was P49.67 million in 2021, lower by P26.9 million than P66.61 million in 2020. The Company's "Other Income" in 2021 was proceeds from insurance claims and other cargo-related claims.

LSC's Net Loss After Tax was P84.58 million, and this was an increased net loss by 24% from P68.25 million in 2020. The loss resulted in an equivalent loss per share of P0.15 and P0.12 in 2021 and 2020, respectively.

## Financial Condition

Total resources of the Company stood at P2.85 billion as of December 31, 2021, or P47.2 million lower than P2.90 billion as of 2020. Current assets amounted to P1.014 billion and

P1.020 billion in 2021 and 2020, respectively. The net decrease in current assets was primarily due to the following:

- Decrease in cash from P156.15 million to P131.88 million
- Decrease in trade and other receivables from P789 million to P781 million
- Increase in inventories from P27.95 million to P63.35 million.

Total Non-Current Assets decreased in 2021 to P1.83 billion from P1.88 billion in 2020. The Company's Property and equipment costs decreased primarily due to amortization and depreciation. Other Non-Current Assets increased to P548 million from P4452.94 million in 2020 due to accumulated creditable withholding taxes.

Total Liabilities increased by 31 million this year from P2.485 billion in 2020 to P2.516 billion at the end of 2021.

Accounts payable and other current liabilities decreased to P1.45 billion in 2021 from P1.51 billion in 2020 due to payments updating.

Total bank borrowings as of 2021 amounted to P699.11 million, consisting of short-term & current borrowings of P461.86 million and long-term & non-current borrowings of P237.24 Million. In comparison, as of December 2020, total borrowings were P701.46 million, consisting of short-term & current borrowings of P423.87 million and long-term & non-current borrowings of P277.58 million.

Obligations under Finance Lease reclassified to Lease Liability under new accounting standards (PFRS16) stood at the end of 2021 at 44.69 million and P59.32 million of current and non-current portions, respectively.

Retirement benefit obligation increased at the end of 2021, mainly driven by the new valuation of benefits accrued to eligible employees.

The negative operating results of the Company in 2021 added to the retained deficit of P704.20 million from the P619.62 million retained deficit in 2020. The revaluation surplus increased by Php3.90 million as of December 2021 due to CREATE Law's impact on revaluation increment on land. Considering its capitalization of P1.015 billion, the Company's Total Equity at the end of 2021 amounted to P336.85 Million.

The Current Ratio as of December 2021 stood at 0.52 compared with 0.50 at the end of 2020. Debt-to-Equity ratios were at 7.47 and 5.99 in 2021 and 2020, respectively. The Company's creditor banks requiring maintenance of certain financial ratios provided a waiver on the breach of debt covenants for the period ending 31 December 2021.

Book value per share this period declined to P0.61 versus P0.75 in the prior period.

## Top Five Performance Indicators

The following key results determine LSC's financial performance:

1. Current Ratio – represents the ratio between current assets and current liabilities, which measures liquidity and efficiency of LSC's ability to pay off its short-term liabilities with its current assets.
2. Debt-to-Equity Ratio – measures the financial leverage of LSC, how much debt is used to finance assets relative to the amount of value represented in shareholders' Equity.

3. Net Revenues – mainly composed of freight services recognized based on cargo loaded during the year, taking into account all direct costs related to the cargo and capacity costs incurred during the year.
4. Net Income Before Tax – is a quick indicator of the financial health of LSC.
5. Accounts Receivable (A/R) turnover – measures how efficiently LSC collects its receivables.

The table below represents the key performance indicators of LSC over the last three (3) years:

| **Performance Indicators** | **Full Year** | | |
|---|---|---|---|
| | **2021** | **2020** | **2019** |
| Current ratio | 0.52 | 0.50 | 0.55 |
| Debt-to-equity ratio | 7.47 | 5.99 | 5.81 |
| Net revenues | P2.871 billion | P2.657 billion | P2.944 billion |
| Net income (loss) before tax | (P88.408 million) | (P61.562 million) | (P145.10 million) |
| A/R turnover | 4.11 | 3.02 | 3.20 |

i. LSC is not aware of any event that will trigger direct or contingent financial obligations to LSC, including any default or acceleration of an obligation.
ii. LSC is not aware of any material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of LSC with unconsolidated entities or other persons created during the reporting period.
iii. LSC is not aware of any material commitments for Capital Expenditures.
iv. LSC is not aware of any known trends, events, or uncertainties that have had or are reasonably expected to have a material favorable or unfavorable impact on net sales, revenues, or income from continuing operations.
v. LSC is not aware of any significant elements of income or loss that did not arise from the registrant's continuing operations.
vi. LSC is not aware of any seasonal aspects that had a material effect on the financial condition or results of operations.

**Plan of Operation**

The Company already experienced full recovery in the first quarter of 2021 as evidenced by a substantial Net Income, which is a significant turnaround compared to the prior year. This means that plans and programs implemented during the start of the pandemic in 2020 bore fruit as long as the economy continues to rebound. However, a second major Covid surge during the second quarter unfortunately limited domestic movement and consumption for an extended period compared to the previous year and The Company resorted to contingencies again in order to sustain the momentum.

1. Dependable vessel schedule and service reliability remains to be one of the Company's top priorities in light of new and extended quarantine restrictions.
2. Attention is on optimizing load factor and yield per voyage to compensate for the continuous increase in direct costs.
3. Well-being of the workforce is also a priority, maximizing productivity along with hybrid work schedules to maintain observing health and safety protocols without hampering services.
4. Cost-reduction programs are implemented and regularly monitored and evaluated in order to ensure efficiency, with the use of all available digital tools.

5. Billing and collection are closely managed, with strategies adjusted accordingly to ensure uninterrupted inflow of cash necessary for operations.
6. Statutory compliance and risk-mitigation is an ongoing initiative to assure standard quality processes and maximum customer satisfaction.

## ITEM 8 – INFORMATION ON INDEPENDENT ACCOUNTANT AND OTHER RELATED MATTERS

The external auditors of the Company is the accounting firm of SGV & Co. The engagement of SGV & Co. as external auditor was approved during the Annual Stockholders' Meeting in August 10, 2023. Mr. Peter John Ventura is currently the Engagement Partner. The appointment of the external auditor and the engagement partner is consistent with SRC Rule 68. The engagement partner or signing partner is rotated after every five (5) years of engagement. A two-year cooling-off period is observed in the re-engagement of the same signing partner.

A. External Audit Fees and Services

Audit and Audit Related Fees – The aggregate fees billed for professional services rendered by the external auditors amounted to One Million Six Hundred Three Thousand Eigh Hundred Pesos (PhP1,603,800) in 2023 and P 1.485 million in 2022, excluding Value Added Tax.

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

The Company has not had any disagreement with the Company with regard to any matter relating to accounting principles or practices or financial statement disclosures or auditing scope or procedures.

## PART III – CONTROL AND COMPENSATION INFORMATION

ITEM 9 – DIRECTORS AND EXECUTIVE OFFICERS OF THE ISSUER

DIRECTORS

| Name | Director Since | Membership in Committees |
|---|---|---|
| Doris Teresa Magsaysay Ho | 2005 | Executive Committee |
| Antony Louis Marden | 2005 | Executive Committee<br>Audit Committee<br>Related Party Transactions Committee<br>Corporate Governance Committee<br>Risk Oversight Committee |
| Michael L. Escaler | 2002 | Audit Committee<br>Related Party Transactions Committee<br>Corporate Governance Committee<br>Risk Oversight Committee |
| Reynold John B. Madamba | 2018 | Executive Committee |
| Deogracias N. Vistan (Independent Director) | 2002 | Audit Committee (Chairman)<br>Related Party Transactions Committee<br>Corporate Governance Committee<br>Risk Oversight Committee |
| Rene J. Buenaventura (Independent Director) | 2018 | Audit Committee<br>Related Party Transactions Committee<br>Corporate Governance Committee (Chairman)<br>Risk Oversight Committee (Chairman) |
| Virgilio Peña (Independent Director) | 2019 | Audit Committee<br>Related Party Transactions Committee (Chairman)<br>Corporate Governance Committee<br>Risk Oversight Committee |

KEY OFFICERS

| Name | Position |
|---|---|
| Reynold John B. Madamba | President |
| Amelita M. Intalan | Treasurer<br>Chief Financial Officer<br>Chief Risk Officer |
| Aissa V. Encarnacion | Corporate Secretary |
| Cris Marco V. Banaag | Assistant Corporate Secretary |
| Katherine M. Dela Cruz | Chief Auditor |
| Ruby Mae F. Reyes | Compliance Officer |
| Celeste A. Villareal | Head of Operations |
| Annebelle R. Lopez | Head of Sales and Marketing |

A brief profile of each of the LSC's Directors and Officers follows:

**BOARD OF DIRECTORS**

**DORIS MAGSAYSAY HO, 72, Filipino, Chairperson of the Board**

Doris Ho is the President and Chief Executive Officer of the Magsaysay Group of Companies, including Magsaysay Maritime Corporation and A. Magsaysay, Inc. She also serves as Chair, Director, Trustee or Member of various organizations, such as: Fairmont Shipping Limited, Makati Business Club, APEC Business Advisory Council, Philippine Interisland Shipping Association, Steamship Mutual Underwriting Association, The National Corn Competitiveness Group, Asia Society Philippine Foundation, Inc., Asia Society (New York), Metropolitan Museum Manila, The Hague Process on Refugees and Migration, First Philippine Conservation, Inc., World President's Organization, and Manila House Private Club, Inc. She obtained her master's degree at Pratt Institute and is a graduate of Manhattanville College.

Ms. Ho has been honored with the following awards: Lloyd's List Asia Lifetime Achievement Award 2011; Global Filipino Executive of the Year in 2012; Seatrade Personality of the Year Award in 2018, MVP Grand Bossing Award 2018, and Shero of the Year by the Asia CEO Awards in 2019. In November, 2015, the Office of the President of the Philippines conferred upon Ms. Ho the Order of Gawad Mabini with the rank of Commander."

**ANTONY LOUIS MARDEN, 74, British, Vice Chairman of the Board, Member of the Executive, Audit, Related Party Transactions, and Corporate Governance and Risk Oversight Committees**

Antony Louis Marden is the President of FIM Limited and a Director of: G.E. Marden & Co., Ltd, National Marine Corporation, and the NMC Group of Companies. Mr. Marden studied Chinese & Politics at Leeds University and has worked in the shipping business for 40 years.

**MICHAEL L. ESCALER, 73, Filipino, Director and Member of the Audit, Related Party Transactions, Corporate Governance and Risk Oversight Committees**

Michael L. Escaler is the President and CEO of All Asian Countertrade Inc.. He is also the Chairman, President and CEO of Pampanga Sugar Development Co. Inc. (PASUDECO), President and CEO of San Fernando Electric Company (SFELAPCO), Chairman and CEO of Sweet Crystals Integrated Mill Corp and Okeelanta Corporation, Chairman of Balibago Waterworks System Inc., JSY Transport, Aldrew and Gray Transport, Silver Dragon Transport and Metro Clark Waste Management Inc. He served as Independent Director of PowerSource Philippines Inc., Empire Insurance Co., Trinity Insurance Co., Trinity Healthcare Services Inc., Marcventures Holdings Inc., and Leyte AgriCorp. A sugar trader in New York and London from 1974 to 1993, he began his career at Nissho-Iwai of America for two years and left for ACLI International. Later on, he transferred to Philipp Brothers as Vice-President. Thereafter, he started his own trading company in the Philippines.

He graduated cum laude from the Ateneo de Manila University with a degree of Bachelor of Arts in Economics. He obtained his Master in Business Administration in International Marketing in New York University. A Philanthropist, he supports various charities including Habitat for Humanity, Coca Cola Foundation, PGH Medical Foundation, Mano Amiga Academy and Productive Internships in Dynamic Enterprise (PRIDE).

**REYNOLD JOHN B. MADAMBA, 49, Filipino, Director, President, Chief Operating Officer, and Member of the Executive Committee**

Mr. RJ Madamba is the President of the Company. Concurrently, he holds the position of Liner Head at Magsaysay Shipping and Logistics and acts as the Chief Operating Officer at NMC Container Lines, Inc. Prior to his current roles, he served as the Vice President and Chief Operating Officer of Orca Cold Chain Division within ISOC Holdings, Inc. between 2017 and 2018. His previous experiences also include a tenure as the General Manager at Icebox Logistics Services, Inc. from 2011 to 2017, as well as serving as Secretary and Director at the Cold Chain Association of the Philippines from 2015 to 2018. Mr. Madamba commenced his career journey at American President Lines (APL) in 1996, ultimately serving as the Branch Manager for Davao and General Santos before departing in 2011.

Graduating with a degree in Management Economics from Ateneo de Manila University in 1996, Mr. Madamba has consistently pursued professional development opportunities. He completed a Perishables Transport course at the University of California-Davis in 2001 and pursued MBA units at the University of the Philippines' College of Business Administration from 2001 to 2002. Additionally, he successfully finished Carrier-Transicold's Technical Service Training in 2009. In 2010, he participated in the Rotary Club's Group Study Exchange Program in British Columbia, Canada, and achieved the distinction of being the Class Valedictorian of the Dale Carnegie Leadership Training for Managers in 2012.

Drawing from over 28 years of extensive experience in both domestic and international container liner shipping, Mr. Madamba's expertise encompasses various domains such as branch management, freight forwarding, customer service, reefer sales, container yard operations, equipment maintenance and repair, vessel operations, trucking, finance, and customer relationship management (CRM).

**DEOGRACIAS N. VISTAN, 79, Filipino, Lead Independent Director, Chairman of the Audit Committee and Member of the Related Party Transactions, and Corporate Governance and Risk Oversight Committees**

Mr. Vistan is a respected veteran banker whose last major stint was as President and CEO of Equitable PCI Bank Corporation in 2001-2002. He distinguished himself in the same position in Solidbank Corporation from 1992 to 2000 and as President and Vice-Chairman of the Land Bank of the Philippines from 1986 to 1992. Before that, he occupied various senior management positions in Citibank (Manila) where he started his banking career.

Presently, he also serves as a member of the Executive Advisory Council of Mitsubishi Motors Philippines Corporation, a role he has maintained since 2015. In 2020, he wrote a textbook on banking, The Business of Banking: Structure and Profitability, Risks and Controls. In 2022, he authored another textbook, The Filipino Entrepreneur: Opportunities and Strategies In A Growth Economy. Both books are now being used by a number of colleges and universities in the Philippines.

He graduated with a double degree in Business Administration and Humanities from the De La Salle University and finished his Master in Business Administration at the Wharton Graduate School of the University of Pennsylvania.

**RENE BUENAVENTURA, 69, Filipino, Independent Director, Chairman of the Corporate Governance and Risk Oversight Committees and Member of Audit and Related Party Transactions Committees**

Mr. Rene J. Buenaventura has been the Vice Chairman of the Equicom Group of Companies since 2007. The Equicom Group includes various companies in healthcare, banking and finance and information technology. He is Vice Chairman of Equicom Savings Bank and Algo Leasing and Finance Inc., Director and Executive Committee Member of Maxicare Healthcare Corporation and Director of Equicom Information Technology Inc. He is a member of the Board of Trustees of the Equitable Foundation. He is also an Independent Director of UBS Investment Phils. Inc, DDMP REIT Inc. and GT Capital Holdings Inc. He was a former President of Equitable PCI Bank. He attended the Advance Management Program for Overseas Bankers in Wharton School, University of Pennsylvania. He finished his MBA and AB-BSC in De La Salle University. He is a Certified Public Accountant.

**VIRGILIO L. PEÑA, 81, Filipino, Independent Director, Chairman of the Related Party Transactions Committee and Member of Audit and Corporate Governance and Risk Oversight Committees**

Mr. Virgilio L. Peña is presently the Chairman of Altius Phils, Inc. and President of Mano Amiga Academy, a school committed to providing high quality K to 12 education to less privileged families. He continues to serve in the Board of Everest Academy Manila – a Catholic international school in the Bonifacio Global City owned by the Regnum Christi and the Legionaries of Christ.

He is a member of the Board of Trustees and Assistant Treasurer of the Philippine Cancer Society and the Chairman of 3Peas in a Pod, Inc. – a family owned business in the food industry.

**<u>KEY OFFICERS</u>**

**AMELITA M. INTALAN, 67, Filipino, Chief Finance Officer, Treasurer, & Chief Risk Officer**

Ms. Intalan is currently the Chief Finance Officer of Lorenzo Shipping Corporation. She is also the Chief Finance Officer of the Magsaysay Shipping and Transport Group. She was Chief Finance Officer of various companies, including Generali Life Assurance Philippines, Inc. and Philam Plans, Inc., as well as, Treasurer and Head of Treasury and Administration of the Philippine American Life & General Insurance Co. (Philam Life), Philam Equitable Life Assurance Corporation (PELAC), and, a number of Philam Life subsidiaries. She also was the Assistant Treasurer and Head of Treasury of BPI-Philam Life Assurance Corporation. Ms. Intalan was a member of the Board of Directors of various Philam Life affiliated companies.

Ms. Intalan obtained her Bachelor of Science in Business Administration & Accountancy from the University of the Philippines in Diliman, Quezon City and passed her CPA Licensure Examinations in 1979. She was a full scholar of European Economic Community (EEC) for a management in joint venture program conducted by INSEAD in 1990.

**AISSA V. ENCARNACION, 58, Filipino, Corporate Secretary (effective March 30, 2023)**

Atty. Encarnacion has been the Corporate Secretary of the Philippine Stock Exchange and SCCP since February 2004 and a non-voting member of the Nominations and Elections Committee. She is a Partner of Zamora and Poblador Law Offices. She is a professorial lecturer at the University of the Philippines College of Law and Cesar Virata School of Business. Before she assumed her present PSE post, she was the

Assistant Corporate Secretary of the Exchange from 2000 to 2003 and Acting Corporate Secretary from 2003 to February 2004. She is a member of the Board of Directors of various private companies, a Trustee of Empowering Brilliant Minds Foundation, Inc. and acts as Corporate Secretary for various companies. Prior to joining her present law firm, she was a Senior Associate of the Bengzon Narciso Cudala Jimenez & Liwanag Law Offices. She received her Bachelor of Laws and Bachelor of Science in Business Administration degrees from the University of the Philippines.

**GRETA MONICA D. TRAZO, 36, Filipino, Corporate Secretary (until March 30, 2023)**

Atty. Greta Monica Trazo was the Corporate Secretary for Lorenzo Shipping Corporation until 30 March 2023. She is also the Senior Legal Counsel for National Marine Corporation, acting as the dedicated legal counsel for the Magsaysay Shipping and Logistics Group which includes 14 companies ranging from ship management to distribution and logistics.

Prior to joining the Magsaysay Group, Atty. Trazo was the Labor and Litigation Partner of Carpo Law and Associates where she handled and led the prosecution and defense of civil, criminal and administrative cases, and acted as Assistant Corporate Secretary for various corporations. She was an Associate at Abellera & Calica Law Offices and Desierto and Desierto Law Offices. She interned at the Office of the Solicitor General, Office of the Government Corporate Counsel and U.P. Office of Legal Aid.

Atty. Greta Monica Trazo has been a member of the Philippine Bar since 2014. She graduated with a Juris Doctor degree from the University of the Philippines College of Law in 2013, and has a Bachelor of Arts degree for Journalism from the College of Mass Communication, University of the Philippines-Diliman.

**CRIS MARCO V. BANAAG, 30, Filipino, Assistant Corporate Secretary (effective 10 August 2023)**

Atty. Banaag is the Assistant Corporate Secretary of the Company. He is a junior associate of the Zamora and Poblador Law Offices. He graduated cum laude from the University of the Philippines in 2016 with a degree in Bachelor of Arts in Creative Writing, obtained his Juris Doctor degree from the same university in 2021, and was admitted to the Philippine Bar in 2022.

**CLEA FAYE C. LACUROM, 28, Filipino, Assistant Corporate Secretary (until 10 August 2023)**

Atty. Lacurom was the Assistant Corporate Secretary of the Company from 30 March 2023 until 10 August 2023. She obtained her Juris Doctor degree from the University of the Philippines and her Bachelor of Arts in Psychology from the Ateneo de Manila University.

**CARMELLA I. DELLOSA, 32, Filipino, Assistant Corporate Secretary (until March 30, 2023)**

Carmella I. Dellosa was the Assistant Corporate Secretary of the Company until 30 March 2023. She is Legal Officer for the Magsaysay Group of Companies. Ms. Dellosa received her Bachelor of Arts Major in Legal Management from the University of Santo Tomas.

**RUBY MAE F. REYES, 29, Filipino, Compliance Officer**

Atty. Reyes is the Compliance Officer of the Company. She is Deputy Legal Counsel for the Magsaysay Group of Companies. She assists in handling the corporate legal affairs as well as in monitoring regulatory compliance of companies within the Group.

Atty. Reyes received both the degree of Bachelor of Science Major in Legal Management and Juris Doctor from De La Salle University – Manila.

**CELESTE A. VILLA-REAL, 45, Filipino, Head of Operations**

Ms. Villa-Real was appointed Head of Operations of LSC effective 16 July 2019. Prior to her appointment as Head of Operations, she was the Operations Planning Manager of LSC from 2007 to 2019. She started her career with LSC in 2000 as a Marketing Executive and moved to become Marketing Manager in 2005. Before joining LSC, she worked as Senior Marketing Assistant under the customer service and sales team of Maxicare Healthcare Corporation.

Ms. Villa-Real graduated from the De La Salle University, Manila with a degree in Bachelor of Science in Commerce major in Business Management in 1998.

**ANNABELLE R. LOPEZ, 46, Filipino, Head of Sales & Marketing**

Ms. Lopez joined Lorenzo Shipping Corporation as Business Development Manager in 2018 and was later promoted as Sales & Marketing Head effective March 18, 2019. Prior her post, she was the Sales Manager of One Stop Logistics Solutions, Inc. (a Magsaysay & Shipping Logistics company) from 2014 to 2018.

She started her career in the shipping industry with Aboitiz Transport System Corp. (2GO Group) in 2002, managing special accounts in Manila and later on moved to Cagayan de Oro as Area Sales Manager for Northern Mindanao & eventually appointed as Branch Manager handling both sales & operations. After spending 10 years in the shipping world, she transitioned to the FMCG industry – Unilever RFM Ice Cream, handling Cabinet Management Unit from 2012-2014.

She graduated with a degree in Commerce Major in Business Administration from University of Santo Tomas in 1999 where she also took up some MBA units from 2003-2006.

**KATHERINE M. DELA CRUZ, 44, Filipino, Chief Audit Executive**

Ms. Katherine M. Dela Cruz holds the position of Internal Audit Head at A. Magsaysay Inc. Prior to her appointment as Head, she was the Audit Manager of A. Magsaysay Inc. in-charge for providing audit services to LSC. She started her career with LSC in 2008 as Audit Officer and moved to become the Internal Audit Manager in 2009. In 2015, she took on an expanded role as Internal Audit Manager for Magsaysay Transport and Logistics. Before joining LSC, she had a short stint as Controls and Compliance Supervisor of Shell Shared Services Center and as Audit Supervisor at Zuellig Pharma Corporation from 2000-2008.

Ms. Dela Cruz graduated from Pamantasan ng Lungsod ng Maynila with a degree in Bachelor of Science in Accountancy in 1999. She is a Certified Public Accountant and a member of Philippine Institute of Public Accountants (PICPA) and Institute of Internal Auditors (IIA).

2) Significant Employees

No person, who is not a director or an executive officer, is expected to make a significant contribution to the business of the Company. Neither is the business highly dependent on the services of key personnel.

3) Family Relationships

All the other above named directors and/or executive officers of the Company are not related, either by consanguinity or affinity up to the fourth civil degree.

4) Involvement in Certain Legal Proceedings

To the knowledge and/or information of the Company, the above named directors and executive officers of the Company are not, presently or during the last five (5) years, involved or have been involved in any of the following:

- any bankruptcy petition filed by or against any business of which any of its incumbent directors or executive officers was a general partner or an executive officer either at the time of bankruptcy or within two years prior to that time;

- any conviction by final judgment in a criminal proceeding, domestic or foreign, or any criminal proceeding, domestic or foreign, pending against any of the incumbent directors or executive officers;

- any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court or competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting the involvement of any of the incumbent directors or executive officers in any type of business, securities, commodities, or banking activities; and

any finding by a domestic or foreign court of competent jurisdiction (in civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or electronic marketplace or self-regulatory organization, that any of the incumbent directors or executive officers has violated a securities or commodities law, and the judgment has not been reversed, suspended, or vacated.

## ITEM 10 – EXECUTIVE COMPENSATION

The aggregate total compensation for directors, the President and the top five officers of the Company are shown below:

| | Year | Compensation | Bonuses |
|---|---|---|---|
| 1) Top five (5) Officers | 2023 | Php 7.56M | Php 0.94M |
| | 2022 | Php 7.15M | Php 0.89M |
| | 2021 | Php 5.68M | Php 0.75M |
| 2) Compensation of Directors | 2023 | Php 2.120M | nil |
| | 2022 | Php 2.120M | nil |
| | 2021 | Php 2.120M | nil |

3) Employment Contracts and Termination of Employment and Change-in-Control Arrangements

The President, Head of Operations, and Head of Marketing all have employment contracts.

## ITEM 11 - SECURITY OF CERTAIN RECORD/BENEFICIAL OWNERS AND MANAGEMENT

A. Security Ownership of Certain Record/Beneficial Owners as of 29 February 2024

As of 29 February 2024, the following stockholders are the only owners of more than 5% of the Company's voting capital stock, whether directly or indirectly, as record owner or beneficial owner:

| **Title of Class** | **Names and Addresses of Record Owners and Relationship with Corporation** | **Names of beneficial owner and relationship with record owner** | **Citizenship** | **Number of Shares Held** | **% to Total Outstanding** |
|---|---|---|---|---|---|
| **Common** | National Marine Corporation ("NMC")<br><br>21st Floor Times Plaza, U.N. Ave cor. Taft Ave. Ermita, Manila | Doris Teresa Magsaysay Ho – President of NMC<br><br>Antony Louis Marden – Director of NMC | [redacted] | [redacted] | [redacted] |
| | - Parent Corporation of the Company | Both are authorized to vote the shares of NMC in Lorenzo Shipping Corporation | | | 18.469% |
| **Common** | PCD Nominee Corporation*<br><br>PDS Group 29th Floor, BDO Equitable Tower, 8751 Paseo de Roxas, Makati City | NMC<br><br>Shares lodged with BA Securities, Inc. | [redacted] | [redacted] | [redacted] |
| **Common** | | J.O.S. Holdings Inc.<br><br>Shares lodged with Philstocks Financial, Inc. | [redacted] | [redacted] | [redacted] |

*PCD Nominee Corporation (PCNC) is a wholly owned subsidiary of Philippine Depository and Trust, Inc. (PDTC) and is the registered owner of the shares in the books of LSC's transfer agent. PDTC participants deposit eligible securities in PCD through a process called lodgment, where legal title to the securities is transferred and held in trust by PCNC and trading participants.

There are no other individuals or corporations who are the beneficial owners of more than 5% of LSC's securities.

LSC has no knowledge of the specific persons who will be designated as the representatives of the foregoing during the annual stockholders' meeting.

B. Security Ownership of Management as of 29 February 2024

The following table sets forth as of 29 February 2024, the beneficial ownership of each director and executive officer of the Company:

| Title of Class | Name of Beneficial Owner | Amount & Nature of Beneficial Ownership | | Citizenship | Percent of Class |
|---|---|---|---|---|---|
| Common | Doris Magsaysay Ho | [redacted] | Record | [redacted] | [redacted] |
| Common | Antony Louis Marden | [redacted] | Record | [redacted] | [redacted] |
| Common | Michael L. Escaler | [redacted] | Record | [redacted] | [redacted] |
| Common | Deogracias N. Vistan | [redacted] | Record | [redacted] | [redacted] |
| Common | Rene Buenaventura | [redacted] | Record | [redacted] | [redacted] |
| Common | Virgilio L. Pena | [redacted] | Record | [redacted] | [redacted] |
| Common | Reynold John B. Madamba | [redacted] | Record | [redacted] | [redacted] |
| Common | Directors & Officers as a Group | [redacted] | | | [redacted] |

C. Voting Trust Holders of 5% or More

As of 29 February 2024, no person holds more than five percent (5%) of the Company's outstanding capital stock under a voting trust.

D. Changes in Control

There is no existing arrangement that may result in a change of control in the Company.

## ITEM 12 - CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Transactions between related parties are accounted for at arms' length prices or on terms similar to those offered to non-related entities in an economically comparable market.

The following are the list of transactions during the past two (2) years to which the Company is a party, and in which certain persons or group have a direct or indirect material interest.

1. National Marine Corporation (NCM) – Parent

   LSC has a service level agreement covering specific services with NMC, the Parent Company.
   1.
2. NMC Container Lines, Inc. (NMCCLI) – related party

   A wholly owned subsidiary of NMC, NMCCLI has a Sea Transport Agreement with the Company. The parties engage the services of the vessels for the transport of cargo in the course of its trade or business of transporting and carrying various freight and goods.

3. Magsaysay ShipManagement Inc. (MSI) – related party

   MSI is an associate company of NMC. It provides technical services to the Company's vessels, ensuring that all vessels are in seaworthy condition and in accordance with the standards set by the Company. MSI also handles the management of the vessel crew.

4. Marine Fuels Philippines, Inc. (MFPI) – related party

   A wholly owned subsidiary of NMC, MFPI supplies LSC's fuel requirement

5. Roadlink Solutions, Inc. (RSI) – related party

   A wholly owned subsidiary of NMC, RSI provides logistical support to the Company by providing logistics services, cargo handling, and cargo trucking, among other services.

The following customers are majority owned by directors or shareholders:

| Customers | Director/ Shareholder |
|---|---|
| • All Asian Countertrade | Majority owned by Mr. Michael Escaler, director |
| • Oceanic Container Lines, Inc. | Majority owned by Mr. Jose Go Jr., shareholder |

# PART IV – CORPORATE GOVERNANCE

ITEM 13 – CORPORATE GOVERNANCE

LSC, its board of directors, and management, including all employees, are committed to enhancing the company's value through effective corporate governance. This commitment is reflected in our efforts to:

1. Foster sound, prudent, and effective management practices;
2. Streamline the distribution of information for efficiency and accuracy;
3. Develop and enact effective risk mitigation and management plans;
4. Deliver precise and reliable financial and operational information;
5. Uphold integrity and ensure compliance with all laws, rules, regulations, and contracts in every transaction.

To fully comply with adopted leading practices on good governance, the company has undertaken or will undertake the following measures:

1. Integrated Annual Corporate Governance Report. The 2023 Annual Corporate Governance Report of LSC shall be filed with the SEC and posted in the Company's corporate website www.lorenzoshipping.com, in compliance with SEC Memorandum Circular No. 15, Series of 2017.

2. Corporate Governance Manual. On July 13, 2020, the Corporate Governance Manual of LSC, superseding its 2017 Corporate Governance Manual, took effect. The Company's Compliance Officer regularly monitors regulatory compliance, reports to the Board, and coordinates with its Corporate Secretary, Securities and Exchange Commission, and Philippine Stock Exchange, in terms of the compliance requirements of the company. LSC strives, and is committed, to implement best corporate governance practices in all its processes and attainment of its goals and objectives.

3. Board of Directors.
    a. LSC's Board of Directors is composed of experts with years of professional experience, who offer diverse insights, which allow a holistic and thorough examination affecting the Company. The Board is responsible for the Company's overall management and directions, and they meet on a regular basis, to review the company's operational and financial updates. The Board may also meet, whenever necessary, should important matters requiring their expertise and/or approval arise.
    b. LSC'S Board is composed of seven (7) directors, three (3) of whom are independent directors. They are elected during the Annual Stockholders' Meeting, and they shall hold office until the next succeeding annual meeting and until their successors shall have been elected and qualified.
4. Audit Committee
    a. LSC's audit committee assists the Board by overseeing the Corporation's financial reporting, internal control system, internal and external audit processes, and compliance with applicable laws and regulations. They provide independent and objective insights to the management in terms of financial matters, business operations, and utilization and safeguarding of company's assets.
    b. The Audit Committee is composed of five (5) Board members, including the three (3) independent directors, one of whom serves as the committee chairman. Mr. Deogracias Vistan is the Audit Committee Chairman, and the committee members are: Mr. Antony Marden, Mr. Michael Escaler, Mr. Rene Buenaventura, and Mr. Virgilio Peña. The Audit Committee is required to meet at least four (4) times a year (quarterly).

5. Corporate Governance Committee.
    a. LSC's Corporate Governance Committee is responsible for the compliance and proper observance of corporate governance principles by the Company and its management. The Committee assists the Board in the performance of its corporate governance responsibilities, oversee the implementation of corporate governance manual and policies, evaluate the manual and ensure it remains appropriate considering the Company's size, complexity, and business strategy.
    b. The Corporate Governance Committee is composed of five (5) members, with three (3) independent directors, including its Chairman. The Committee Chairman is Mr. Rene Buenaventura, and the members are Mr. Deogracias Vistan, Mr. Virgilio Peña, Mr. Antony Marden, and Mr. Michael Escaler.

6. Risk Oversight Committee
    a. LSC's Risk Oversight Committee is responsible for the oversight of the company's enterprise risk management system. The Committee assists the Board in ensuring that there is an effective and integrated risk management process in place. The committee also conducts regular discussions on the company's prioritized and residual risk exposures based on the risk management reports, and assess how these risks can be mitigated or managed.
    b. The Risk Oversight Committee is composed of five (5) members, with three (3) independent directors, including its Chairman. The Committee Chairman is Mr. Virgilio R. Peña, and the members are Mr. Deogracias Vistan, Mr. Rene Buenaventura, Mr. Antony Marden, and Mr. Michael Escaler.

7. Related Party Transactions Committee
    a. LSC's Related Party Transactions Committee is responsible for reviewing all material Related Party Transaction of the company. The committee shall assist the Board by evaluating, on an ongoing basis, existing relations between and among businesses and counterparties to ensure that all related parties are continuously identified, related party transactions are monitored, and subsequent changes in relationships with counterparties are captured. The Committee also evaluates all material related party transactions to ensure that these are not undertaken on more favorable economic terms.
    b. The Related Party Transactions Committee is composed of five (5) members, with three (3) independent directors, including its Chairman. The Committee Chairman is Mr. Rene Buenaventura, and the members are Mr. Deogracias Vistan, Mr. Virgilio Peña, Mr. Antony Marden, and Mr. Michael Escaler.

8. Executive Officers. LSC's executive officers are responsible for the Company's operations and day-to-day management.

9. Deviation from the Company's Manual of Corporate Governance. As of the date of this report, the Management is preparing the company's Retirement and Succession Policy as well as its succession plan, which will be geared towards promoting growth and dynamism in the Corporation.

10. Continuing Improvements for Corporate Governance. LSC will continue to improve its policies, systems, and processes, and ensure that the Board, officers, management and employees remain abreast of any regulations or issuances that will affect the company. LSC is committed to adhere to good governance practices in its operations while achieving its goals.

## PART V – EXHIBITS AND SCHEDULES

ITEM 14 - EXHIBITS AND REPORTS ON SEC FORM 17-C

A. Exhibits

| Exhibits | Description | |
|---|---|---|
| A | • Financial Statements<br>• Statement of Management's Responsibility for Financial Statements<br>• Report of Independent Accountants<br>• Balance Sheets as of December 31, 2023 and 2022<br>• Statements of Income for each of the three years ended December 31, 2023, 2022, 2021<br>• Statements of Comprehensive Income for each of the three years ended December 31, 2023, 2022 and 2021<br>• Statements of Changes in Stockholders' Equity for each of the three years ended December 31, 2023, 2022 and 2021<br>• Statements of Cash Flows for each of the three years ended December 31, 2023, 2022 and 2021<br>• Notes to Financial Statements<br>• Index to Financial Statements and Supplementary Schedules | |
| | | Schedule |
| | Reconciliation of Retained Earnings Available for Dividend Declaration | I |
| | Map Showing the Relationships Between and Among the Company and its Ultimate Parent Company, Middle Parent, Subsidiaries or Co-subsidiaries, Associates, Wherever Located or Registered | II |
| | Required schedules under Annex 68-J | III |
| | Financial assets | A |
| | Amounts receivable from directors, officers, employees, related parties and principal stockholders | B |
| | Amounts receivable from related parties which are eliminated during the consolidation of financial statements | C |
| | Intangible assets - other assets | D |
| | Long-term debt | E |
| | Indebtedness to related parties | F |
| | Guarantees of securities of other issuers | G |
| | Capital stock | H |
| B | • Sustainability Report | |

B. Reports on SEC Form 17-C
Various disclosures were made by the Company from 30 March 2023 to 12 January 2024

| Report Date | Item |
| --- | --- |
| 30 March 2023 | Appointment of Atty. Aissa V. Encarnacion and Atty. Clea Faye C. Lacurom as the new Corporate Secretary and Assistant Corporate Secretary replacing Atty. Greta Monica D. Trazo and Ms. Carmella I. Dellosa, effective March 30, 2023. |
| 13 June 2023 | Postponement of the annual stockholders' meeting (ASM) from 29 June 2023, as set in the By-laws, to 10 August 2023 at 9:00 a.m. via remote communication. Stockholders of record as of 4 July 2023 are entitled to attend and vote in the ASM. |
| 13 June 2023 | Appointment of SGV & Company as the external auditor of the Company for 2023. |

| | |
|---|---|
| 10 August 2023 | The stockholders approved the appointment of Sycip Gorres Velayo & Co. (SGV) as the external auditor of the Company.<br><br>The following were elected directors of the Company for the year 2023 to 2024, or until their successors are duly elected and/or qualified:<br>1. Doris Teresa Magsaysay Ho<br>2. Antony Louis Marden<br>3. Michael L. Escaler<br>4. Reynold John B. Madamba<br>5. Deogracias N. Vistan – Independent Director<br>6. Rene J. Buenaventura – Independent Director<br>7. Virgilio L. Peña – Independent Director<br><br>During the Organizational Meeting, the following were elected officers of the Company for 2023 to 2024 or until their successors are duly elected and/or qualified:<br>1. Doris Teresa Magsaysay Ho – Chairman<br>2. Antony Louis Marden – Vice Chairman<br>3. Reynold John B. Madamba – President and Chief Operating Officer<br>4. Amelita M. Intalan – Treasurer<br>5. Aissa V. Encarnacion – Corporate Secretary<br>6. Cris Marco V. Banaag – Assistant Corporate Secretary<br><br>**Audit Committee**<br>1. Deogracias N. Vistan – Chairman, Independent Director<br>2. Virgilio L. Peña – Member, Independent Director<br>3. Rene J. Buenaventura – Member, Independent Director<br>4. Antony Louis Marden – Member<br>5. Michael L. Escaler – Member<br><br>**Related Party Transactions Committee**<br>1. Virgilio L. Peña – Chairman, Independent Director<br>2. Deogracias N. Vistan – Member, Independent Director<br>3. Rene J. Buenaventura – Member, Independent Director<br>4. Antony Louis Marden – Member<br>5. Michael L. Escaler – Member<br><br>**Corporate Governance Committee**<br>1. Rene J. Buenaventura – Chairman, Independent Director<br>2. Deogracias N. Vistan – Member, Independent Director<br>3. Virgilio L. Peña – Member, Independent Director<br>4. Antony Louis Marden – Member |

| | |
|---|---|
| | 5. Michael L. Escaler – Member<br>**<u>Risk Oversight Committee</u>**<br>1. Rene J. Buenaventura – Chairman, Independent Director<br>2. Deogracias N. Vistan – Member, Independent Director<br>3. Virgilio L. Peña – Member, Independent Director<br>4. Antony Louis Marden – Member<br>5. Michael L. Escaler - Member |

| Report Date | Item |
|---|---|
| 13 October 2023 | Certification for the quarterly list of the Company's top 100 stockholders. |
| 12 January 2024 | Certification for the quarterly list of the Company's top 100 stockholders. |

**Attendance of Directors**

The following is the attendance of the board of directors of the Company in board meetings from **January 2023** to **December 2023**:

| | Name of Director | Total Attendance | Total Absences | Total Meetings |
|---|---|---|---|---|
| 1 | Doris Magsaysay Ho (Chairman) | 6 | 1 | 7 |
| 2 | Antony Louis Marden | 7 | 0 | 7 |
| 3 | Reynold John B. Madamba | 7 | 0 | 7 |
| 4 | Deogracias N. Vistan | 7 | 0 | 7 |
| 5 | Rene J. Buenaventura | 7 | 0 | 7 |
| 6 | Virgilio L Peña | 7 | 0 | 7 |
| 7 | Michael Escaler | 7 | 0 | 7 |

The following is the attendance of the board of directors of the Company in committee meetings held in 2023:

**AUDIT COMMITTEE**

| Name of Director | Total Attendance | Total Absences | Total Meetings |
|---|---|---|---|
| Antony Louis Marden | **2** | **1** | **3** |
| Deogracias N. Vistan (Chairman) | **3** | **0** | **3** |
| Rene J. Buenaventura | **3** | **0** | **3** |
| Virgilio L. Peña | **3** | **0** | **3** |
| Michael Escaler | **2** | **1** | **3** |

**RELATED PARTY TRANSACTIONS COMMITTEE**

| Name of Director | Total Attendance | Total Absences | Total Meetings |
|---|---|---|---|
| Antony Louis Marden | 1 | 1 | 2 |
| Deogracias N. Vistan | 2 | 0 | 2 |
| Rene J. Buenaventura | 2 | 0 | 2 |
| Virgilio L. Peña | 2 | 0 | 2 |
| Michael Escaler | 1 | 1 | 2 |

**CORPORATE GOVERNANCE COMMITTEE**

| Name of Director | Total Attendance | Total Absences | Total Meetings |
|---|---|---|---|
| Antony Louis Marden | 2 | 1 | 3 |
| Deogracias N. Vistan | 3 | 0 | 3 |
| Rene J. Buenaventura | 3 | 0 | 3 |
| Virgilio L. Peña | 3 | 0 | 3 |
| Michael Escaler | 2 | 1 | 3 |

**RISK OVERSIGHT COMMITTEE**

| Name of Director | Total Attendance | Total Absences | Total Meetings |
|---|---|---|---|
| Antony Louis Marden | 1 | 1 | 2 |
| Deogracias N. Vistan | 2 | 0 | 2 |
| Rene J. Buenaventura | 2 | 0 | 2 |
| Virgilio L. Peña | 2 | 0 | 2 |
| Michael Escaler | 1 | 1 | 2 |

## SIGNATURES

Pursuant to the requirements of Section 17 of the Securities Regulation Code and Section 177 of the Revised Corporation Code, this report is signed on behalf of the issuer by the undersigned, duly authorized, in the City of Manila, Philippines.

**LORENZO SHIPPING CORPORATION**
*Issuer*

BY: [redacted]

**DORIS TERESA M. HO**
*Chairman*

[redacted]

**REYNOLD JOHN B. MADAMBA**
*President & Chief Operating Officer*

[redacted]

**AMELITA M. INTALAN**
*Treasurer, Chief Financial Officer, and Chief Risk Officer*

[redacted]

**AISSA V. ENCARNACION**
*Corporate Secretary*

**SUBSCRIBED AND SWORN TO** before me on APR 1 5 2024, by the following persons:

| NAME | TIN |
|---|---|
| Doris Teresa M. Ho<br>Reynold John B. Madamba<br>Amelita M. Intalan<br>Aissa V. Encarnacion | [redacted] |

[redacted]

ATTY. CLIFF RICHARD E. GENESELA
Notary Public for City of Manila
Notarial Commission No. 2023-103 Issued on 2-17-23 until Dec. 31, 2024 Manila
IBP No. 394628 Issued on Jan. 3, 2024 Until Dec. 31, 2024 Pasig City / Roll No. 49006
PTR No. 1521034 Issued on Jan. 2, 2024 Until Dec. 31, 2024 Manila
MCLE No. VII-0022599 Issued on July 15, 2022 until April 14, 2025
Office Add. Mezanin San Luis Bldg. 1006 Orosa St., Ermita, Manila

Doc. No. 267;
Page No. 54 ;
Book No. X ;
Series of 2024.

# Exhibit A

# C O V E R   S H E E T
for
**AUDITED FINANCIAL STATEMENTS**

SEC Registration Number

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | 4 | 8 | 9 | 0 | 9 |

**C O M P A N Y   N A M E**

LORENZO SHIPPING CORPORATION

**PRINCIPAL OFFICE** *( No. / Street / Barangay / City / Town / Province )*

20th Floor Times Plaza Building, United Nations Avenue, Ermita, Manila

| Form Type | Department requiring the report | Secondary License Type, If Applicable |
|---|---|---|
| AAFS | CRMD | N/A |

**C O M P A N Y   I N F O R M A T I O N**

| Company's Email Address | Company's Telephone Number | Mobile Number |
|---|---|---|
| corporatesecretary@msl.com.ph | (02) 8527-5555 | +639178157290 |

| No. of Stockholders | Annual Meeting (Month / Day) | Fiscal Year (Month / Day) |
|---|---|---|
| 899 | 8/10 | 12/31 |

**CONTACT PERSON INFORMATION**

The designated contact person ***MUST*** be an Officer of the Corporation

| Name of Contact Person | Email Address | Telephone Number/s | Mobile Number |
|---|---|---|---|
| Amelita M. Intalan | amelita.intalan@msl.com.ph | (02) 8527-5555 | 09989682949 |

**CONTACT PERSON's ADDRESS**

20th Floor Times Plaza Building, United Nations Avenue, Ermita, Manila

***NOTE 1 :*** *In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.*

***2 :*** *All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.*

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph

# INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Lorenzo Shipping Corporation
20th Floor Times Plaza Building
United Nations Avenue, Ermita, Manila

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of Lorenzo Shipping Corporation (the Company), which comprise the statements of financial position as at December 31, 2023 and 2022, and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2023, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023 and 2022, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2023 in accordance with Philippine Financial Reporting Standards (PFRSs).

### Basis for Opinion

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

### Key Audit Matters

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

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

SGV
Building a better working world



Assessment of Going Concern Basis
The Company incurred net losses in 2021 and prior years resulting to a deficit of ₱589.82 million as of December 31, 2023. In addition, the Company's current liabilities exceeded its current assets by ₱1.07 billion as of December 31, 2023.

The financial statements had been prepared on a going concern basis. Management's assessment of the Company's ability to generate sufficient funding is based on assumptions such as forecasted revenue, operating costs and capital expenditures, that are subject to a higher level of estimation uncertainty especially given the current economic conditions which have been impacted by the volatility in fuel prices and the feasibility of the sources of financing. Since the going concern assessment involves significant management judgments and estimates, we consider this as a key audit matter.

Refer to Notes 1 and 4 to the financial statements for the disclosure on the going concern assessment, including the discussion of the Company's future plans.

*Audit response*

We obtained an understanding of management's going concern assessment, including the cash flow projection prepared by management and approved by the Board of Directors. We evaluated the key assumptions such as forecasted revenue, operating costs, capital expenditures, and the other sources of financing, that were used by management in the Company's cash flows forecast for the next 12 months from the end of the reporting period. We evaluated these key assumptions by reference to historical information and relevant market data and by taking into consideration the current economic conditions including the impact of the volatility of fuel prices and the actions undertaken and the planned strategies by management in relation to the Company's operating and financing activities. We obtained the letters of financial support from the Company's related parties and agreed the details of the terms of the credit facilities against supporting documentation. We also assessed the adequacy of the related disclosures in the notes to the financial statements.

Impairment of Property and Equipment
As of December 31, 2023, the Company's property and equipment amounted to ₱1.24 billion, which comprise 40% of the Company's total assets. The Company's net assets exceeded its market capitalization as of December 31, 2023. In addition, the Company is affected by the volatility in fuel prices in the market and competitive pricing on container line cargoes shipping. In the event that an impairment indicator is identified, the assessment of the recoverable amount of the property and equipment requires significant judgment and involves estimation and assumptions about the discount rate, revenue growth rates, operating costs, and capital expenditures. In addition, because of the volatility in fuel prices, there is heightened level of uncertainty on the future economic outlook and market forecast. Hence, such assessment is a key audit matter.

Refer to Notes 3 and 4 to the financial statements for the relevant accounting policies and discussion of significant accounting judgment and estimates and Note 9 for the detailed disclosures about the carrying amounts of the vessels in operations and related equipment.

*Audit Response*
We have evaluated the methodology and the assumptions used. These assumptions include the revenue growth rates, operating costs, capital expenditures and discount rates. We tested the mathematical accuracy of the financial model and compared the key assumptions in the financial projection, such as the revenue growth rates, operating costs, and capital expenditures, against the historical experience of the Company and market information, taking into consideration the impact associated with the volatility in fuel prices. We tested the parameters used in the determination of the discount rate against market data. We also reviewed the Company's disclosures about those assumptions to which the outcome of the impairment test is most sensitive; specifically those that have the most significant effect on the determination of the recoverable amount of property and equipment.

**Other Information**

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2023, but does not include the financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2023 are expected to be made available to us after the date of this auditor's report.

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

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

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

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

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

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

**Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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

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

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

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

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

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

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

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

**Report on the Supplementary Information Required Under Revenue Regulations 15-2010**

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 31 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of Lorenzo Shipping Corporation. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditor's report is Peter John R. Ventura.

SYCIP GORRES VELAYO & CO.

[redacted]

Peter John R. Ventura
Partner
CPA Certificate No. [redacted]
Tax Identification No. [redacted]
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
BIR Accreditation No. 08-001998-140-2021, November 10, 2021, valid until November 9, 2024
PTR No. 10082030, January 6, 2024, Makati City

April 8, 2024

## LORENZO SHIPPING CORPORATION
## STATEMENTS OF FINANCIAL POSITION

| | December 31 | |
|---|---|---|
| | **2023** | 2022 |
| **ASSETS** | | |
| **Current Assets** | | |
| Cash and cash equivalents (Note 5) | **₱99,128,666** | ₱62,526,759 |
| Trade and other receivables (Note 6) | **647,299,769** | 743,761,535 |
| Contract assets (Note 6) | **4,041,317** | 9,418,443 |
| Inventories (Note 7) | **61,474,637** | 78,446,460 |
| Prepayments and other current assets (Note 8) | **203,538,050** | 134,983,284 |
| **Total Current Assets** | **1,015,482,439** | 1,029,136,481 |
| **Noncurrent Assets** | | |
| Property and equipment (Note 9): | | |
| At cost | **1,240,672,522** | 1,111,102,425 |
| At revalued amount | **175,896,000** | 175,896,000 |
| Computer software (Note 10) | **3,060,765** | 3,956,598 |
| Deferred tax asset - net (Note 22) | **6,995,849** | – |
| Other noncurrent assets (Note 11) | **651,292,082** | 610,335,517 |
| **Total Noncurrent Assets** | **2,077,917,218** | 1,901,290,540 |
| **TOTAL ASSETS** | **₱3,093,399,657** | ₱2,930,427,021 |
| **LIABILITIES AND EQUITY** | | |
| **Current Liabilities** | | |
| Accounts payable and other current liabilities (Note 12) | **₱1,585,687,460** | ₱1,649,780,869 |
| Short-term borrowings (Note 13) | **341,963,292** | 320,640,916 |
| Current portion of: | | |
| Long-term borrowings (Note 13) | **67,120,578** | 101,581,177 |
| Lease liabilities (Note 26) | **65,247,182** | 33,832,479 |
| Long-term borrowing - related party (Note 25) | **24,814,918** | – |
| **Total Current Liabilities** | **2,084,833,430** | 2,105,835,441 |
| **Noncurrent Liabilities** | | |
| Noncurrent portion of: | | |
| Long-term borrowings (Note 13) | **71,712,782** | 138,226,553 |
| Lease liabilities (Note 26) | **164,296,787** | 53,797,674 |
| Long-term borrowing - related party (Note 25) | **200,410,450** | 150,305,719 |
| Retirement benefit obligation (Note 18) | **105,611,008** | 76,547,471 |
| Deferred tax liabilities - net (Note 22) | – | 24,210,312 |
| **Total Noncurrent Liabilities** | **542,031,027** | 443,087,729 |
| **Total Liabilities** | **2,626,864,457** | 2,548,923,170 |

*Forward*

| | December 31 | |
|---|---|---|
| | **2023** | 2022 |
| **Equity** | | |
| Common stock - ₱1 par value (Note 23): | | |
| Authorized - 991,183,999 shares | | |
| Issued and outstanding - 554,642,251 shares | **₱555,652,251** | ₱555,652,251 |
| Additional paid-in capital | **459,791,492** | 459,791,492 |
| Revaluation increment (Note 9) | **72,643,023** | 72,643,023 |
| Actuarial losses on defined benefit obligation (Note 18) | **(28,605,970)** | (17,850,964) |
| Deficit | **(589,819,746)** | (685,606,101) |
| Treasury shares at cost | **(3,125,850)** | (3,125,850) |
| **Total Equity** | **466,535,200** | 381,503,851 |
| **TOTAL LIABILITIES AND EQUITY** | **₱3,093,399,657** | ₱2,930,427,021 |

*See accompanying Notes to Financial Statements.*

**LORENZO SHIPPING CORPORATION**

**STATEMENTS OF INCOME**

| | Years Ended December 31 | | |
|---|---|---|---|
| | **2023** | 2022 | 2021 |
| **FREIGHT REVENUE** (Note 14) | **₱3,280,896,707** | ₱3,299,471,438 | ₱2,871,942,636 |
| **DIRECT COSTS** | | | |
| Cost of services (Note 15) | **2,640,300,101** | 2,824,867,551 | 2,600,274,704 |
| Terminal expenses (Note 16) | **249,314,899** | 240,214,878 | 220,205,431 |
| | **2,889,615,000** | 3,065,082,429 | 2,820,480,135 |
| **GROSS PROFIT** | **391,281,707** | 234,389,009 | 51,462,501 |
| **GENERAL AND ADMINISTRATIVE EXPENSES** (Note 17) | **(217,516,154)** | (186,221,167) | (142,095,705) |
| **FINANCE COSTS AND OTHER CHARGES** (Note 20) | **(68,643,755)** | (50,805,414) | (47,444,390) |
| **OTHER INCOME (CHARGES)** - net (Note 21) | **19,837** | 21,319,220 | 49,669,052 |
| **INCOME (LOSS) BEFORE INCOME TAX** | **105,141,635** | 18,681,648 | (88,408,542) |
| **PROVISION FOR (BENEFIT FROM) INCOME TAX** (Note 22) | | | |
| Current | **39,999,876** | 10,161,699 | 368,528 |
| Deferred | **(30,644,596)** | (10,080,260) | (4,193,337) |
| | **9,355,280** | 81,439 | (3,824,809) |
| **NET INCOME (LOSS)** | **₱95,786,355** | ₱18,600,209 | (₱84,583,733) |
| **EARNINGS (LOSS) PER SHARE** (Note 24) | | | |
| Basic and diluted | **₱0.17** | ₱0.03 | (₱0.15) |

*See accompanying Notes to Financial Statements*

## LORENZO SHIPPING CORPORATION
## STATEMENTS OF COMPREHENSIVE INCOME

| | Year Ended December 31 | | |
|---|---|---|---|
| | **2023** | 2022 | 2021 |
| **NET INCOME (LOSS)** | **₱95,786,355** | ₱18,600,209 | (₱84,583,733) |
| **OTHER COMPREHENSIVE INCOME (LOSS)** | | | |
| *Items that will not be reclassified to statements of income:* | | | |
| Actuarial gains (loss) on retirement benefit obligation, net of tax (Note 18) | **(10,755,006)** | 11,918,989 | 2,278,782 |
| Revaluation increment (Note 9) | – | 18,846,000 | – |
| Income tax effect | – | (4,711,500) | – |
| Effect of change in tax rate (Note 9) | – | – | 3,900,568 |
| Revaluation increment, net of tax | – | 14,134,500 | 3,900,568 |
| Total other comprehensive income (loss) for the year, net of tax | **(10,755,006)** | 26,053,489 | 6,179,350 |
| **TOTAL COMPREHENSIVE INCOME (LOSS)** | **₱85,031,349** | ₱44,653,698 | (₱78,404,383) |

*See accompanying Notes to Financial Statements.*

# LORENZO SHIPPING CORPORATION

## STATEMENTS OF CHANGES IN EQUITY

### FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021

| | Common Stock | Additional Paid-in Capital | Revaluation Increment (Note 9) | Actuarial Gains (Losses) on Retirement Benefit Obligation (Note 18) | Deficit (Note 28) | Treasury Shares | Total |
|---|---|---|---|---|---|---|---|
| Balances at January 1, 2021 | ₱555,652,251 | ₱459,791,492 | ₱54,607,955 | (₱32,048,735) | (₱619,622,577) | (₱3,125,850) | ₱415,254,536 |
| Net loss | – | – | – | – | (84,583,733) | – | (84,583,733) |
| Other comprehensive income | – | – | 3,900,568 | 2,278,782 | – | – | 6,179,350 |
| Total comprehensive income (loss) | – | – | 3,900,568 | 2,278,782 | (84,583,733) | – | (78,404,383) |
| Balances at December 31, 2021 | 555,652,251 | 459,791,492 | 58,508,523 | (29,769,953) | (704,206,310) | (3,125,850) | 336,850,153 |
| Net income | – | – | – | – | 18,600,209 | – | 18,600,209 |
| Other comprehensive income | – | – | 14,134,500 | 11,918,989 | – | – | 26,053,489 |
| Total comprehensive income | – | – | 14,134,500 | 11,918,989 | 18,600,209 | – | 44,653,698 |
| Balances at December 31, 2022 | 555,652,251 | 459,791,492 | 72,643,023 | (17,850,964) | (685,606,101) | (3,125,850) | 381,503,851 |
| Net income | – | – | – | – | 95,786,355 | – | 95,786,355 |
| Other comprehensive loss | – | – | – | (10,755,006) | – | – | (10,755,006) |
| Total comprehensive income (loss) | – | – | – | (10,755,006) | 95,786,355 | – | 85,031,349 |
| **Balances at December 31, 2023** | **₱555,652,251** | **₱459,791,492** | **₱72,643,023** | **(₱28,605,970)** | **(₱589,819,746)** | **(₱3,125,850)** | **₱466,535,200** |

*See accompanying Notes to Financial Statements.*

## LORENZO SHIPPING CORPORATION
## STATEMENTS OF CASH FLOWS

| | Years Ended December 31 | | |
|---|---|---|---|
| | **2023** | 2022 | 2021 |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Income (loss) before income tax | **₱105,141,635** | ₱18,681,648 | (₱88,408,542) |
| Adjustments for: | | | |
| Depreciation and amortization (Notes 9 and 10) | **214,977,951** | 158,480,103 | 208,467,956 |
| Finance costs and other charges (Note 20) | **68,643,755** | 50,805,414 | 47,444,390 |
| Net change in retirement benefit obligation | **6,218,312** | 2,588,595 | 2,210,780 |
| Gain on disposal of property and equipment - net (Note 21) | **(697,008)** | – | (288,295) |
| Unrealized foreign exchange loss (gain) - net | **(638,368)** | 3,500,355 | 666,563 |
| Interest income (Note 21) | **(91,621)** | (117,002) | (180,609) |
| Operating income before working capital changes | **393,554,656** | 233,939,113 | 169,912,243 |
| Decrease (increase) in: | | | |
| Trade and other receivables | **107,990,420** | (98,091,122) | 59,454,224 |
| Contract assets | **5,377,126** | 56,709,008 | (34,643,017) |
| Inventories | **16,971,823** | (15,091,655) | (35,407,005) |
| Prepayments and other current assets | **(84,799,289)** | (27,193,639) | (58,400,529) |
| Other noncurrent assets | **(64,711,918)** | (62,181,056) | (28,849,511) |
| Increase in accounts payable and other current liabilities | **37,511,206** | 190,865,540 | 88,678,658 |
| Net cash flows from operations | **411,894,024** | 278,956,189 | 160,745,063 |
| Interest received | **91,621** | 117,002 | 180,609 |
| Net cash flows from operating activities | **411,985,645** | 279,073,191 | 160,925,672 |
| | | | |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Additions to: | | | |
| Property and equipment (Note 9) | **(133,897,026)** | (116,693,694) | (71,604,284) |
| Computer software (Note 10) | **–** | (4,479,168) | – |
| Proceeds from disposal of property and equipment (Note 9) | **864,928** | – | 335,200 |
| Net cash flows used in investing activities | **(133,032,098)** | (121,172,862) | (71,269,084) |

*(Forward)*

| | Years Ended December 31 | | |
| --- | --- | --- | --- |
| | **2023** | 2022 | 2021 |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Net proceeds from (payments of) short-term borrowings (Note 13) | **₱21,322,376** | (₱47,631,444) | ₱30,601,960 |
| Proceeds from: | | | |
| Long-term borrowings (Note 13) | **–** | – | 70,000,000 |
| Payments of: | | | |
| Long-term borrowings (Notes 13 and 25) | **(126,564,767)** | (91,277,778) | (103,348,015) |
| Principal portion of lease liabilities (Note 26) | **(68,819,135)** | (36,035,387) | (65,870,419) |
| Finance costs and other charges (Notes 13, 20 and 26) | **(69,738,324)** | (49,424,649) | (44,765,828) |
| Deferred transaction cost (Note 13) | **–** | – | (525,001) |
| Net cash flows used in financing activities | **(243,799,850)** | (224,369,258) | (113,907,303) |
| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | **35,153,697** | (66,468,929) | (24,250,715) |
| **EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS** | **1,448,210** | (2,889,181) | (13,572) |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR** | **62,526,759** | 131,884,869 | 156,149,156 |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** (Note 5) | **₱99,128,666** | ₱62,526,759 | ₱131,884,869 |

*See accompanying Notes to Financial Statements.*

# LORENZO SHIPPING CORPORATION
# NOTES TO FINANCIAL STATEMENTS

## 1. Corporate Information and Status of Operations

Corporate Information

Lorenzo Shipping Corporation (the Company) was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on October 17, 1972 primarily to engage in domestic inter-island cargo shipping activities.

The Company is majority-owned by National Marine Corporation (NMC), a domestic holding company. A. Magsaysay, Inc. (AMI) is the ultimate parent of the Company.

The Company's common shares of stock are traded in the Philippine Stock Exchange (PSE).

The Company is a holder of several Certificates of Convenience and special permits issued by the Maritime Industry Authority to service certain domestic ports of call.

The Company's registered and principal business address is 20th Floor Times Plaza Building, United Nations Avenue, Ermita, Manila.

Status of Operations

The Company incurred losses in 2021 and prior years resulting to a deficit of ₱589.82 million and ₱685.61 million as of December 31, 2023 and 2022, respectively. In addition, the Company's total current liabilities exceeded its total current assets by ₱1.07 billion and ₱1.08 billion as of December 31, 2023 and 2022, respectively.

Management believes that with the Company's available unused credit facilities, the continued financial support from and deferral of payment of payables to its related parties, collection of insurance claims (see Note 21), strong relationship with banks, various revenue enhancement programs (i.e. rate adjustments and recovery charges, among others) and cost reduction initiatives (i.e. fuel consumption rationalization, technological enhancements, among others) to further improve the results of its operations, the Company will be able to generate sufficient cash flows from its operations and financing activities (from local banks and related parties) to meet its obligations as and when they fall due. As such, the financial statements have been prepared on a going concern basis of accounting.

The financial statements of the Company as of December 31, 2023 and 2022 and for each of the three years in the period ended December 31, 2023 were approved and authorized for issuance by the Board of Directors on April 8, 2024.

## 2. Basis of Preparation, Statement of Compliance and Changes in Accounting Policies and Disclosures

Basis of Preparation

The accompanying financial statements have been prepared under the historical cost basis except for land which is carried at revalued amounts. The financial statements are presented in Philippine peso (Peso), which is the Company's functional and presentation currency, and rounded to the nearest millions, except when otherwise indicated.

Statement of Compliance
The financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs).

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective in 2023. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Unless otherwise indicated, the adoption of these new standards did not have an impact on the financial statements of the Company:

- Amendments to PAS 8, *Definition of Accounting Estimates*
- Amendments to PAS 12, *International Tax Reform – Pillar Two Model Rules*
- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

  The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

  - Replacing the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies, and
  - Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

  The Company applied the materiality guidance in its 2023 accounting policy disclosures.

- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising 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).

  The amendment was applied on the recognition of deferred income tax asset on lease liability and deferred income tax liability on right-of-use (ROU) assets in 2023 (see Note 22). Other than this, the Company’s current practice is already in line with the amendment.

Standards Issued but not yet Effective
Pronouncements issued but not yet effective are listed below. The Company intends to adopt the following pronouncements when they become effective. Adoption of these pronouncements is not expected to have a significant impact on the Company’s financial statements.

*Effective beginning on or after January 1, 2024*

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*
- Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback*
- Amendments to PAS 7 and PFRS 7, *Disclosures: Supplier Finance Arrangements*

*Effective beginning on or after January 1, 2025*

- PFRS 17, *Insurance Contracts*
- Amendments to PAS 21, *Lack of exchangeability*

*Deferred effectivity*

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

## 3. Material Accounting Policy Information

Financial Instruments – Initial Recognition and Subsequent Measurement
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

a. Financial assets

*Initial recognition and measurement*
Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (FVOCI), and fair value through profit or loss (FVTPL).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at FVTPL, irrespective of the business model.

The Company's financial assets at amortized cost includes cash and cash equivalents, trade and other receivables, security deposits included under other noncurrent assets.

*Subsequent measurement*
Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in the statement of income when the asset is derecognized, modified or impaired.

*Impairment*
The Company recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original EIR. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Company applies the simplified approach in calculating ECLs, as permitted by PFRS 9. Therefore, the Company does not track changes in credit risk, but instead, recognizes a loss allowance based on the financial asset's lifetime ECL at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For cash and cash equivalents, the Company applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and considered to be low credit risk investments.

For other debt financial instruments such as other receivables and security deposits included under other noncurrent assets, the Company applies the general approach. Therefore, the Company track changes in credit risk at every reporting date.

b. Financial liabilities

*Initial recognition and measurement*
Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, loans and borrowings at amortized cost, or as derivatives designated as hedging instruments in an effective hedge appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings net of directly attributable transaction costs.

The Company's financial liabilities include accounts payable and other current liabilities, borrowings, lease liabilities and long-term borrowing to a related party.

*Subsequent measurement*
After initial recognition, loans and borrowings and payables are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in the statement of income when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of income.

Inventories
Inventories are valued at the lower of cost and net realizable value (NRV). Costs incurred in bringing each product to its present location and condition are accounted for as follows:

| | | |
|---|---|---|
| Materials and spare parts | - | purchase cost using first-in, first-out method |
| Fuel, diesel and lubricants | - | purchase cost using first-in, first-out method |

Net realizable value is the estimated replacement cost.

An allowance for losses and obsolescence is determined based on a regular review and management evaluation of movement and condition of spare parts and supplies.

Property and Equipment
Property and equipment, except for land, are stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and any accumulated impairment in value. Such cost includes the cost of replacing part of the property and equipment when that cost is incurred, if the recognition criteria are met.

Land is initially measured at cost. After initial recognition, land is measured at fair value less any accumulated impairment in value. Valuations are performed with sufficient frequency to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. All of the Company's land properties had been revalued as determined by an independent firm of appraisers. The appraisal increment, net of the related tax effect, is credited to the "Revaluation increment" account included as other comprehensive income in the statement of comprehensive income and as other component of equity in the equity section of the statement of financial position, except to the extent that it reverses a revaluation decrease of the same asset previously recognized in the statement of income, in which case the increase is recognized in the statement of income.

A revaluation deficit is recognized in the statement of income, except that a deficit directly offsetting a previous surplus on the same asset is directly offset against the surplus in the asset revaluation reserve. Upon disposal, any revaluation increment relating to the particular asset being sold is transferred to retained earnings.

The initial cost of property and equipment consists of its purchase price, including import duties, taxes and any directly attributable costs of bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Company. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged in the statement of income in the period in which the costs are incurred.

Each part of an item of property and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately.

Depreciation is computed on a straight-line basis less its residual value over the estimated useful life (EUL) as follows:

| Category | Number of Years |
|---|---|
| Land improvements | 3 |
| Vessels, excluding drydocking costs and vessel tools and equipment | 35* |
| Drydocking costs | 3 |
| Container vans and improvements | 5-10 |

*(Forward)*

| Category | Number of Years |
|---|---|
| Buildings, warehouses, terminal premises and equipment and leasehold improvements | 3-10 |
| Office furniture and equipment | 5 |
| Transportation equipment | 5 |
| Vessel tools and equipment | 5 |

**From the time the vessel was built*

Major overhaul costs incurred during drydocking of vessels are capitalized and depreciated over a 3-year period or the next drydocking, whichever comes first. When significant drydocking costs are incurred prior to the expiry of the 3-year depreciation period, the remaining costs of the previous drydocking are written off in the period of the subsequent drydocking. Drydocking costs are recorded as part of "Vessels" under property and equipment.

Leasehold improvements are depreciated over their estimated useful lives or the term of the lease, whichever is shorter.

Fully depreciated property and equipment are retained in the accounts until these are no longer in use. An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from the continued use of the item.

Any gain or loss arising on derecognition of the property and equipment (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statement of income in the year the asset is derecognized.

The carrying amounts of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

Impairment of Nonfinancial Assets

The carrying values of the Company's nonfinancial assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If such indication exists, the Company estimates the asset's recoverable amount. If the carrying value exceeds the estimated recoverable amount, the assets or CGU is written-down to their recoverable amounts. The recoverable amount of the asset is the greater of the fair value less cost to sell or value in use (VIU). The fair value less cost to sell is the amount obtainable from the sale of an asset in an arms' length transaction between knowledgeable, willing parties, less costs of disposal. In assessing VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset. For an asset that does not generate largely independent cash losses are recognized in the statement of income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment loss may no longer exists or may have decreased. In such case, the recoverable amount is estimated. Any previously recognized impairment loss is reversed only when there is a change in estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. Accordingly, the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount of that would have been determined, net of depreciation and amortization, had no impairment loss been recognized in prior years. Such reversal is recognized in the statement of income unless the asset is carried at its revalued amount, in which case the reversal is treated as a revaluation increase. After such reversal, the depreciation or amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Revenue from Contracts with Customers

Revenue from contracts with customers is recognized when control of goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for the goods and services. The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent.

The disclosures of significant accounting judgments, estimates and assumptions relating to revenue from contracts with customers are provided in Note 4.

The specific recognition criteria for each type of revenue are as follows:

*Ocean freight*

Revenues derived from ocean freight services are recognized when the related services are rendered over time based on the on the estimated period travelled (number of days) of the cargoes or goods delivered over the period of the date of acceptance up to the delivery date.

*Other vessel revenue - Trucking*

Revenue from trucking services are recognized when the related services are rendered over time based on the timing of delivery (number of days) of the cargoes to the customer.

*Other vessel revenues - Storage*

Storage fees for each container van are recognized over time based on the number of days storage is availed of.

*Other vessel revenues - Port charges*

Revenues from port charges such as arrastre, wharfage, Lift On - Lift Off (LOLO), stevedoring and weighing fee, etc. are recognized over time based on the timing of the service performance (number of days).

Contract Balances

*Contract assets*

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

*Contract liability*

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Company performs under the contract.

Provisions

Provisions are recognized only when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Taxes

*Current income tax*

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the end of reporting period.

*Deferred income tax*

Deferred tax is provided using the liability method on temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss; and

- in respect of taxable temporary differences associated with investments in foreign subsidiaries and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits and unused tax losses, to the extent that it is probable that taxable income will be available against which the deductible temporary differences, and the carryforward benefits of unused tax credits and unused tax losses can be utilized except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss; and

- in respect of deductible temporary differences associated with investments in foreign subsidiaries and interests in joint ventures, deferred tax income assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable income will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each statement of financial position date and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of reporting period.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to offset current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the statement of income.

*Value-added Tax (VAT)*
Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable.

For its VAT-registered activities, when VAT from sale of services (Output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as VAT payable in the statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sale of services (Output VAT), the excess is recognized as an asset in the statement of financial position up to the extent of the recoverable amount.

Capital Stock
Capital stock is determined using the par value shares that have been issued. When the Company issues more than one class of stock, a separate account is maintained for each class of stock and number of shares issued.

The Company's capital stock pertains to common stock. Direct costs incurred related to the issuance of new common stock such as accounting and legal fees, printing costs and taxes are shown in equity as deduction, net of tax, from proceeds.

When the shares are sold at a premium, the difference between the proceeds and the par value is credited to the "Additional paid-in capital" account. When the shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received.

In case the shares are issued to extinguish or settle the liability of the Company, the shares shall be measured either at fair value of the share issued or fair value of the liability settled, whichever is more reliably determinable.

Retirement Benefit Obligation
The retirement benefit obligation is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in the statement of income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in the statement of income.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to the statement of income in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Company, nor can they be paid directly to the Company. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Earnings (Loss) per Share (EPS)
Basic EPS is calculated by dividing net income (loss) for the year attributable to common shareholders by the number of shares issued and outstanding at the end of the year after giving retroactive effect to regular stock dividends declared and stock rights exercised during the year, if any.

Leases

*Company as a lessee*

*ROU assets*
The Company recognizes ROU assets (included in 'Property and equipment') at the commencement date of the lease (i.e., the date the underlying asset is available for use). ROU assets are initially measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of ROU assets includes the amount of lease liabilities recognized, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized ROU assets are depreciated on a straight-line basis over the shorter of their estimated useful life and lease term as follows:

| Category | Number of Years |
|---|---|
| Container Yard | 1.5–7 |
| Container Vans | 2–5 |
| Warehouse and Equipment | 4-4.5 |
| Office Space | 2–7 |

ROU asset is subject to impairment in accordance with the Company's policy on impairment of nonfinancial assets.

*Lease liabilities*
At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

*Short-term leases and leases of low-value assets*
The Company applies the short-term lease recognition exemption to its short-term leases of container yard, container van, warehouse and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the leases of low-value assets recognition exemption to leases of that are considered of low value.
Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

<u>Contingencies</u>
Contingent liabilities are not recognized in the financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but are disclosed when an inflow of economic benefits is probable.

<u>Segment Reporting</u>
The Company and its branches and agencies are operating as one reportable segment engaged in domestic inter-island cargo shipping activities within the Philippines. Therefore, neither business nor geographical segment information is presented.

<u>Events After the Reporting Period</u>
Post year-end events that provide additional information about the Company's financial position at the end of reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to financial statements when material.

## 4. **Significant Accounting Judgments and Estimates**

The preparation of the accompanying financial statements in accordance with PFRSs requires management to make judgments and estimates that affect the amounts reported in the financial statements and the accompanying notes. The judgments and estimates used in the accompanying financial statements are based upon management's evaluation of relevant facts and circumstances as of date of the financial statements. Actual results could differ from such estimates.

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

*Use of going concern assumption*
The use of the going concern assumption involves management making judgments, at a particular point in time, about the future outcome of events or conditions that are inherently uncertain. Management's assessment requires significant judgement that are based on assumptions which are subject to a higher level of estimation uncertainty due to the current economic conditions. Management takes into account a whole range of factors which include, but are not limited to, the forecasted level of revenue, gross margin, operating cost, capital expenditures, and maturity profile of debt and interest repayments and timing of significant cash flows used in the forecast, and the other potential sources of financing given the economic uncertainties caused by the rising fuel prices. The Company has no plans to liquidate. Management believes that it will be able to generate future income and obtain sources of financing. Accordingly, the financial statements are prepared on a going concern basis since management has future plans, including revenue enhancements and cost reduction programs, with regards to the Company as disclosed in Note 1.

*Revenue from contracts with customers*
The Company applied the judgment that significantly affect the determination of the amount and timing of revenue from contracts with customers:

- *Identifying performance obligations in a bundled freight revenue*
  The Company determined that the following performance obligations are capable of being distinct: (1) ocean freight revenue, (2) trucking services, (3) port charges, (4) storage. The Company has determined that these services are capable of being distinct in the context of the contract.

  Consequently, the Company allocated a portion of the transaction price to the different performance obligations, taking into consideration its stand-alone rates.

Estimations
The key assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date that have a significant risk causing material adjustments to the carrying amounts of the assets and liabilities within the next financial years are discussed below:

*Provision for ECL on trade receivables and contract assets*
The Company uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customers that have similar loss patterns (i.e., customer type and rating).

The provision matrix is initially based on the Company's historical observed default rates. The Company then calibrates the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (e.g. consumer price index) are expected to deteriorate over the next year which can lead to an increased number of defaults in the shipping and logistics sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Company's trade receivables and contract assets is disclosed in Note 6.

*Estimation of impairment of property and equipment*
The Company assesses at the end of each reporting period whether there is any indication that the property and equipment and other non-financial assets may be impaired. If such indication exists, the Company shall estimate the recoverable amount of the asset, which is the higher of an asset's fair value less costs to sell and its VIU. In estimating the VIU, the Company is required to make an estimate of the expected future cash flows from the CGU and also to choose an appropriate discount rate in order to calculate the present value of those cash flows.

Determining the recoverable amounts of property and equipment, which involves the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the use of estimates and assumptions that can materially affect the Company's financial statements. Future events could indicate that these property and equipment are impaired. Any resulting impairment loss could have a material adverse impact on the financial condition and results of operations of the Company. Refer to Note 9 for the assumptions used.

*Fair value of land properties*
The Company carries its land properties at revalued amount with changes in fair value recognized in OCI. The fair value of the Company's land is based on the valuation carried out by independent appraiser. The valuation was arrived by reference to market evidence of transaction prices of similar properties.

External appraisers used market approach to value the land properties by using sales comparison method in particular. The valuation analysis involved key assumptions such as listing prices of reasonably comparable properties and adjustments related to the characteristics of the land properties such as size, location, utility, and other relevant conditions.

The key assumptions used to determine the fair value of the land properties are provided in Note 9.

*Realizability of deferred tax assets*
The Company reviews the carrying amounts of deferred tax assets at reporting date and reduces it to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. Further details on taxes are disclosed in Note 22.

*Leases - Estimating the incremental borrowing rate*
The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate to measure lease liabilities. The incremental borrowing rate is the rate of interest that the Company would have pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment. The Company estimates the incremental borrowing rate using observable inputs like the risk-free rate and adjust it for factors such as the credit rating of the Company and the terms and conditions of the lease.

*Retirement benefit obligation*
The cost of the defined benefit obligation plan and the present value of the pension obligation are determined using an actuarial valuation. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Further details about retirement benefit obligation are provided in Note 18.

## 5. Cash and Cash Equivalents

| | **2023** | 2022 |
|---|---|---|
| Cash on hand | **₱728,000** | ₱672,000 |
| Cash in banks | **97,868,808** | 61,854,759 |
| Cash equivalents | **531,858** | – |
| | **₱99,128,666** | ₱62,526,759 |

Cash in banks earn interest at the respective bank deposit rates. Cash equivalents are short term deposits made for varying periods of up to three (3) months and earns interest at the respective short-term deposit rates.

Interest income, amounted to ₱0.09 million, ₱0.12 million and ₱0.18 million in 2023, 2022 and 2021, respectively (see Note 21).

## 6. Trade and Other Receivables and Contract Assets

| | **2023** | 2022 |
|---|---|---|
| Trade: | | |
| Third parties | **₱662,716,609** | ₱800,634,313 |
| Related parties (Note 25) | **54,836,252** | 70,219,600 |
| | **717,552,861** | 870,853,913 |
| Less allowance for ECL | **153,528,677** | 198,342,159 |
| | **564,024,184** | 672,511,754 |
| Non-trade - related parties (Note 25) | **20,904,133** | 9,281,841 |
| Others | **62,371,452** | 61,967,940 |
| | **₱647,299,769** | ₱743,761,535 |

a. Trade receivables are noninterest-bearing and have varying credit terms.

b. Non-trade receivables include advances to related parties for the rental of container yard, container vans, cost sharing of office space. These receivables are noninterest-bearing and collectible on demand.

c. Others include dues from social security system, claims, advances to employees, insurance and others. These receivables are noninterest-bearing.

d. The Company has contract assets amounting to ₱4.04 million and ₱9.42 million as of December 31, 2023 and 2022, respectively, which is net of allowance for ECL of ₱0.07 million and ₱2.11 million, respectively.

e. The rollforward of allowance for ECL on trade receivables and contract assets follows:

| | **December 31, 2023** | | |
|---|---|---|---|
| | **Trade Receivables** | **Contract Assets** | **Total** |
| Beginning balances | **₱198,342,159** | **₱2,108,840** | **₱200,450,999** |
| Provision/reversal for the year - net (Note 17) | **18,599,127** | **(2,036,722)** | **16,562,405** |
| Write off | **(63,412,609)** | **–** | **(63,412,609)** |
| Ending balances | **₱153,528,677** | **₱72,118** | **₱153,600,795** |

| | December 31, 2022 | | |
|---|---|---|---|
| | Trade Receivables | Contract Assets | Total |
| Beginning balances | ₱155,490,506 | ₱2,108,840 | ₱157,599,346 |
| Provision for the year - net (Note 17) | 42,851,653 | – | 42,851,653 |
| Ending balances | ₱198,342,159 | ₱2,108,840 | ₱200,450,999 |

## 7. Inventories

As of December 31, 2023 and 2022, fuel, diesel and lubricants amounted to ₱61.47 million and ₱78.45 million, respectively. These are carried at cost, which is lower than the net realizable value.

Fuel and supplies inventories recorded as expenses in 2023, 2022 and 2021 are as follows (see Notes 15, 16 and 17):

| | **2023** | 2022 | 2021 |
|---|---|---|---|
| Cost of services (Note 15) | **₱774,171,490** | ₱944,173,818 | ₱654,742,749 |
| Terminal expenses (Note 16) | **61,373,424** | 61,934,774 | 48,324,063 |
| General and administrative expenses (Note 17) | **3,711,409** | 3,226,453 | 2,873,947 |
| Total | **₱839,256,323** | ₱1,009,335,045 | ₱705,940,759 |

## 8. Prepayments and Other Current Assets

| | **2023** | 2022 |
|---|---|---|
| CWTs | **₱28,359,240** | ₱27,413,118 |
| Input VAT | **76,088,568** | 27,694,358 |
| Prepaid expenses | **12,388,589** | 10,477,224 |
| Advances to suppliers | **84,863,585** | 69,398,584 |
| Others | **1,838,068** | – |
| | **₱203,538,050** | ₱134,983,284 |

CWTs represent the current portion of the amount withheld by the Company's customers in relation to its sale of services. These are recognized when the related sales are earned and are utilized as tax credits against income tax due as allowed by the Philippine taxation laws and regulations.

Prepaid expenses include prepaid insurance and prepaid importation charges.

## 9. Property and Equipment

a. At Cost

### December 31, 2023

| | Vessels and Drydocking Costs | Container Vans and Improvements | Buildings, Warehouses, and Terminal Premises | Leasehold improvement | Machinery and Equipment | Office Furniture and Equipment | Transportation Equipment | Vessel Tools and Equipment | Construction-in-Progress | ROU Assets | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | | | | |
| Balances at January 1, 2023 | ₱2,162,349,079 | ₱421,964,466 | ₱15,255,771 | ₱65,023,167 | ₱296,168,592 | ₱79,519,775 | ₱28,369,682 | ₱378,383,212 | ₱14,554,928 | ₱193,120,622 | ₱3,654,709,294 |
| Additions | 110,287,465 | – | 2,142,858 | 142,858 | – | 1,258,286 | 5,720,536 | 14,256,551 | 88,472 | 209,688,638 | 343,585,664 |
| Disposal | – | (1,839,234) | – | – | – | – | – | – | – | – | (1,839,234) |
| Derecognition | – | – | – | – | – | – | – | – | – | (10,193,187) | (10,193,187) |
| Modification | – | – | – | – | – | – | – | – | – | 234,471 | 234,471 |
| Reclassification | 13,304,114 | – | 1,339,286 | – | – | – | – | – | (14,643,400) | – | – |
| Balances at December 31, 2023 | 2,285,940,658 | 420,125,232 | 18,737,915 | 65,166,025 | 296,168,592 | 80,778,061 | 34,090,218 | 392,639,763 | – | 392,850,544 | 3,986,497,008 |
| **Accumulated depreciation** | | | | | | | | | | | |
| Balances at January 1, 2023 | 1,290,504,490 | 395,466,833 | 13,799,147 | 59,149,946 | 256,942,894 | 76,868,287 | 27,446,384 | 301,376,879 | – | 122,052,009 | 2,543,606,869 |
| Depreciation for the year (Notes 15, 16 and 17) | 112,598,543 | 43,960 | 1,186,200 | 1,136,331 | 3,353,411 | 1,451,310 | 286,111 | 26,804,315 | | 67,221,937 | 214,082,118 |
| Derecognition | – | – | – | – | – | – | – | – | – | (10,193,187) | (10,193,187) |
| Disposals | – | (1,671,314) | – | – | – | – | – | – | – | – | (1,671,314) |
| Balances at December 31, 2023 | 1,403,103,033 | 393,839,479 | 14,985,347 | 60,286,277 | 260,296,305 | 78,319,597 | 27,732,495 | 328,181,194 | – | 179,080,759 | 2,745,824,486 |
| **Net book values** | ₱882,837,625 | ₱26,285,753 | ₱3,752,568 | ₱4,879,748 | ₱35,872,287 | ₱2,458,464 | ₱6,357,723 | ₱64,458,569 | ₱– | ₱213,769,785 | ₱1,240,672,522 |

### December 31, 2022

| | Vessels and Drydocking Costs | Container Vans and Improvements | Buildings, Warehouses, and Terminal Premises | Leasehold improvement | Machinery and Equipment | Office Furniture and Equipment | Transportation Equipment | Vessel Tools and Equipment | Construction-in-Progress | ROU Assets | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Cost | | | | | | | | | | | |
| Balances at January 1, 2022 | ₱2,095,704,498 | ₱421,964,466 | ₱14,452,200 | ₱64,667,363 | ₱294,757,515 | ₱77,924,917 | ₱28,369,682 | ₱347,054,337 | ₱– | ₱412,979,570 | ₱3,757,874,548 |
| Additions | 66,644,581 | – | 803,571 | 355,804 | 1,411,077 | 1,594,858 | – | 31,328,875 | 14,554,928 | 19,033,344 | 135,727,038 |
| Derecognition | – | – | – | – | – | – | – | – | – | (238,892,292) | (238,892,292) |
| Balances at December 31, 2022 | 2,162,349,079 | 421,964,466 | 15,255,771 | 65,023,167 | 296,168,592 | 79,519,775 | 28,369,682 | 378,383,212 | 14,554,928 | 193,120,622 | 3,654,709,294 |
| Accumulated depreciation | | | | | | | | | | | |
| Balances at January 1, 2022 | 1,199,088,491 | 395,371,485 | 13,401,296 | 58,053,934 | 253,707,072 | 75,418,033 | 27,343,082 | 277,004,005 | – | 325,154,230 | 2,624,541,628 |
| Depreciation for the year (Notes 15, 16 and 17) | 91,415,999 | 95,348 | 397,851 | 1,096,012 | 3,235,822 | 1,450,254 | 103,302 | 24,372,874 | – | 35,790,071 | 157,957,533 |
| Derecognition | – | – | – | – | – | – | – | – | – | (238,892,292) | (238,892,292) |
| Balances at December 31, 2022 | 1,290,504,490 | 395,466,833 | 13,799,147 | 59,149,946 | 256,942,894 | 76,868,287 | 27,446,384 | 301,376,879 | – | 122,052,009 | 2,543,606,869 |
| Net book values | ₱871,844,589 | ₱26,497,633 | ₱1,456,624 | ₱5,873,221 | ₱39,225,698 | ₱2,651,488 | ₱923,298 | ₱77,006,333 | ₱14,554,928 | ₱71,068,613 | ₱1,111,102,425 |

b. ROU Assets

The following are the leased assets that qualifies under the criteria of PFRS 16 as at December 31, 2023 and 2022:

| | Container Yards | Office Space | Container Vans | Warehouse and Equipment | Total |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| **Balances at January 1, 2023** | **₱75,402,865** | **₱39,544,214** | **₱58,594,714** | **₱19,578,829** | **₱193,120,622** |
| **Additions** | **6,557,485** | **748,729** | **49,106,199** | **153,276,225** | **209,688,638** |
| **Derecognition** | – | – | **(10,193,187)** | – | **(10,193,187)** |
| **Modification** | – | **234,471** | – | – | **234,471** |
| **Balances at December 31, 2023** | **81,960,350** | **40,527,414** | **97,507,726** | **172,855,054** | **392,850,544** |
| **Accumulated depreciation** | | | | | |
| **Balances at January 1, 2023** | **34,424,457** | **13,491,556** | **54,557,167** | **19,578,829** | **122,052,009** |
| **Depreciation for the year** | **17,485,954** | **6,082,194** | **8,621,020** | **35,032,769** | **67,221,937** |
| **Derecognition** | – | – | **(10,193,187)** | – | **(10,193,187)** |
| **Balances at December 31, 2023** | **51,910,411** | **19,573,750** | **52,985,000** | **54,611,598** | **179,080,759** |
| **Net book values** | **₱30,049,939** | **₱20,953,664** | **₱44,522,726** | **₱118,243,456** | **₱213,769,785** |

| | Container Yards | Office Space | Container Vans | Warehouse and Equipment | Total |
|---|---|---|---|---|---|
| Cost | | | | | |
| Balances at January 1, 2022 | ₱129,756,655 | ₱39,544,214 | ₱214,162,879 | ₱29,515,822 | ₱412,979,570 |
| Additions | 8,840,157 | – | 10,193,187 | – | 19,033,344 |
| Derecognition | (63,193,947) | – | (165,761,352) | (9,936,993) | (238,892,292) |
| Balances at December 31, 2022 | 75,402,865 | 39,544,214 | 58,594,714 | 19,578,829 | 193,120,622 |
| Accumulated depreciation | | | | | |
| Balances at January 1, 2022 | 78,277,890 | 7,908,843 | 209,752,795 | 29,214,702 | 325,154,230 |
| Depreciation for the year | 19,340,514 | 5,582,713 | 10,565,724 | 301,120 | 35,790,071 |
| Derecognition | (63,193,947) | – | (165,761,352) | (9,936,993) | (238,892,292) |
| Balances at December 31, 2022 | 34,424,457 | 13,491,556 | 54,557,167 | 19,578,829 | 122,052,009 |
| Net book values | ₱40,978,408 | ₱26,052,658 | ₱4,037,547 | ₱– | ₱71,068,613 |

c. <u>At Revalued Amount</u>

The Company accounts for its Bacolod land properties using the revaluation model. The carrying amount of the land at revalued amount as at December 31, 2023 and 2022 amounted to ₱175.90 million.

Movements in the revaluation increment net of tax, recognized directly in equity are as follows:

| | **2023** | 2022 |
|---|---|---|
| Balances at beginning of year | **₱72,643,023** | ₱58,508,523 |
| Additions | – | 14,134,500 |
| Balances at end of year | **₱72,643,023** | ₱72,643,023 |

The Company engaged independent appraiser to determine the fair value of the following properties:

| Location | Area in Square Meters | **2023** | 2022 | Highest and Best Use |
|---|---|---|---|---|
| Bacolod | | | | |
| Lot 1 | 3,782 | **₱105,896,000** | ₱105,896,000 | Commercial warehousing/ logistics facility |
| Lot 2 | 2,500 | **70,000,000** | 70,000,000 | Commercial warehousing/ logistics facility |
| | | **₱175,896,000** | ₱175,896,000 | |

The fair values were estimated through the market approach by using sales comparison method in particular. The valuation analysis involved key assumptions such as listing prices of reasonably comparable properties and adjustments related to the characteristics of the land properties such as size, location, utility, and other relevant conditions.

Key unobservable inputs (Level 3) used to measure the fair value of the land is the price per square meter ranging from ₱28,000 and ₱25,000 in 2023 and 2022, depending on the property.

Significant increases (decreases) in estimated price per square meter in isolation would result in a significantly higher (lower) fair value on a linear basis.

The Company uses the land as a container yard for shipments not directly delivered to the customer's warehouse and awaiting for loading to the vessels. Having the use of the land as a container yard and warehouse facility reduces the cost of rent from other warehouse or container yard. In addition, the land is located within a port related development, where the prevailing land use for related activities, as well as the neighboring area, are in the nature of commercial warehousing and logistics facilities. Thus, the Company assessed that the highest and best use of the property does not differ from their current use.

If the land properties were measured using the cost model, the carrying value of the land would be ₱79.04 million as at December 31, 2023 and 2022.

d. To ensure the maintenance of the vessels in accordance with international standards, the Company has availed of the services of a related party to oversee the regular upgrading and maintenance of the vessels (see Note 25).

e. The balance of property and equipment as of December 31, 2023 and 2022 includes fully-depreciated assets still in use amounting to ₱1.76 billion and ₱1.75 billion, respectively.

f. Certain vessels with carrying values of ₱304.06 million and ₱321.82 million as of December 31, 2023 and 2022, respectively, are used as chattel mortgage securities for long-term borrowings (see Note 13).

The Company had various disposals of its property and equipment with proceeds amounting to ₱0.86 million, nil and ₱0.34 million in 2023, 2022 and 2021, respectively, resulting in a gain on disposal of ₱0.70 million, nil and ₱0.29 million in 2023, 2022 and 2021, respectively.

g. The Company performed impairment testing on its property and equipment in 2023 and 2022. The recoverable amount of the CGU has been determined based on a VIU calculation using cash flow projections from financial budgets approved by the board of directors. The projected cash flows have been updated to reflect the demand for services taking into consideration the impact of the rising fuel prices. The Company's entire container vessels' operation is determined to be its CGU.

   The pre-tax discount rate applied to cash flow projection is 9.6% in 2023 and 10.2% in 2022. As a result of this analysis, management concluded that the property and equipment is not impaired.

   The calculation of VIU of the CGU is most sensitive to the following assumptions:

   - Revenue growth rates
   - Discount rate

   *Revenue growth rates*
   Average growth rate in revenues is based on the Company's expectation of market developments and the changes in the environment in which it operates. The Company uses revenue growth rates of 2.80%, based on past historical performance as well as expectations on the results of its strategies.

   *Discount rate*
   The discount rate used is the pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the asset. The Company used discount rate based on the Company's WACC. The rate used to discount the future cash flows is based on risk-free interest rates in the relevant markets where the Company is domiciled taking into consideration the debt premium, market risk premium, gearing, corporate tax rate and asset beta. Discount rates used by the Company are 8.8% in 2023 and 9.0% in 2022.

   *Capital expenditure*
   In computing the value-in-use, estimates of future cash flows include future cash outflows necessary to maintain the level of economic benefits expected to arise from the asset in its current condition. Capital expenditures that improve or enhance the asset's performance therefore are not included. This enhancement capital expenditure, such as maintenance, is excluded from value-in-use analysis since this has not yet been incurred as at valuation date.

h. Construction in progress pertains to on-going vessel drydocking of MV Lorcon General Santos and MV Lorcon Bacolod amounting to ₱13.3 million and Cebu Office renovation amounting to ₱1.25 million as at December 31, 2022. The renovation of the Cebu Office was completed on December 31, 2023 and the drydocking of MV Lorcon General Santos and MV Lorcon Bacolod were completed on September 30, 2023.

## 10. **Computer Software**

| | **2023** | 2022 |
|---|---|---|
| Cost | **₱4,479,168** | ₱4,479,168 |
| Accumulated amortization: | | |
| Beginning balance | **522,570** | – |
| Amortization (Note 16) | **895,833** | 522,570 |
| Ending balance | **1,418,403** | 522,570 |
| Net book values | **₱3,060,765** | ₱3,956,598 |

Computer software pertain to acquired Synchronized Access and Integrated Link (SAIL) used for the Company's operation. No impairment loss was recognized for software and licenses since management believes that the future benefits will accrue to the Company over the assets' remaining useful life.

Computer software is amortized on a straight-line basis over its estimated useful economic life of five (5) years and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

## 11. **Other Noncurrent Assets**

| | **2023** | 2022 |
|---|---|---|
| CWTs - net of current portion | **₱526,253,103** | ₱502,497,750 |
| Deferred input VAT | **108,036,651** | 91,377,540 |
| Deposits - net of allowance for impairment loss amounting to ₱4.10 million in 2023 and 2022 | **16,477,051** | 15,934,950 |
| Others | **525,277** | 525,277 |
| | **₱651,292,082** | ₱610,335,517 |

CWTs represent the noncurrent portion of the amount withheld by the Company's customers in relation to its sale of services. These are classified as noncurrent due to assessment of the Company that these CWTs are not realizable within 12 months after the reporting date.

Deferred input VAT relates primarily to the major capital expenditures and dry docking of vessels. Deposits consist of amounts paid for rental deposits which are refundable at the end of the lease term.

## 12. **Accounts Payable and Other Current Liabilities**

| | **2023** | 2022 |
|---|---|---|
| Trade: | | |
| Third parties | **₱548,950,185** | ₱522,341,749 |
| Related parties (Note 25) | **539,274,054** | 654,082,528 |
| Output VAT payable | **90,952,770** | 26,618,743 |
| Deferred output VAT | **65,549,598** | 81,027,751 |
| Accrued expenses: | | |
| Outside services | **55,788,153** | 52,222,830 |
| General and administrative | **52,957,020** | 46,329,769 |
| Repairs, maintenance and supplies for vessels | **15,363,660** | 15,174,544 |
| Hustling, trucking and labor services | **4,188,311** | 5,498,255 |
| Other taxes payable | **8,201,117** | 8,968,657 |
| Other accrued expenses | **4,027,727** | 5,425,704 |
| Amounts owed to a related parties (Note 25) | **192,894,192** | 224,336,461 |
| Others | **7,540,673** | 7,753,878 |
| Total | **₱1,585,687,460** | ₱1,649,780,869 |

Trade payables are non-interest bearing and are normally settled within 12 months from the end of the reporting period.

Output VAT payable pertains to VAT liabilities for the Company's billed services collected as at reporting date.

Deferred output VAT from uncollected services shall be recognized as application to input once collected from customers.

Accrued expenses are obligations on the basis of normal credit terms and do not bear interest. These pertain to accruals made based on prior month's billings and/or contracts of the Company and are normally settled within 12 months from the end of the reporting period.

Outside services includes cargo and port expenses incurred in relation to the Company's normal shipping operations.

Others include payroll-related expenses incurred but not yet paid and accruals for payment to retired employees outside of the retirement fund.

## 13. Borrowings

Short-term borrowings consist of:

| | 2023 | 2022 |
|---|---|---|
| Bank of the Philippine Islands (BPI) | **₱168,885,000** | ₱169,885,000 |
| Banco de Oro Unibank Inc. (BDO) | **97,878,292** | 59,355,916 |
| Metropolitan Bank and Trust Company (MBTC) | **34,200,000** | 46,400,000 |
| Chinabank Corporation (CBC) | **41,000,000** | 45,000,000 |
| | **₱341,963,292** | ₱320,640,916 |

Movements in short-term debt recognized in the statement of financial position are as follows:

| | 2023 | 2022 |
|---|---|---|
| Balances at beginning of year | **₱320,640,916** | ₱368,272,360 |
| Net availments (payments) | **21,322,376** | (47,631,444) |
| Balances at end of year | **₱341,963,292** | ₱320,640,916 |

Short-term borrowings from local banks bear annual interest at 5.90% to 8.50% and 4.00% to 8.30% in 2023 and 2022, respectively. Short-term borrowings are generally not secured, however, the Company's short-term loan with Banco de Oro Unibank Inc. (BDO) is secured by the Company's receivables.

Long-term borrowings consist of:

| | **2023** | 2022 |
|---|---|---|
| Balance of loan obtained from RCBC of ₱137.00 million, availed last May 6, 2020 and will mature on May 6, 2027. The loan is payable monthly in 72 equal monthly installments starting May 6, 2021. Annual interest rate is equal to the BVAL plus 2.5% spread. Interest rate ranges from 4.46% to 8.78% in 2023, 4.33% to 4.46% in 2022, and 4.33% in 2021. | **₱78,013,890** | ₱100,847,223 |
| Balance of loan obtained from China Banking Corporation (CBC) of ₱200.00 million, availed of last September 9, 2015 and will mature on September 9, 2025. The loan is payable quarterly in 36 equal quarterly installments starting December 9, 2016. Annual interest rate is equal to 90-day BVAL rate plus 1.25% inclusive of GRT and BSP overnight borrowing rate plus spread of 0.125% inclusive of GRT, whichever is higher, subject to quarterly repricing. Interest rate ranges from 6.00% to 8.00% in 2023 and 4.75% to 6.00% in 2022 and 4.33% to 7.25% in 2021. | **38,888,889** | 61,111,111 |
| Balance of loan obtained from CBC of ₱200.00 million, maturing on October 22, 2024 and payable quarterly in 36 equal quarterly installments starting January 22, 2016. Annual interest rate is equal to BVAL rate plus 1.25% inclusive of Gross Receipts Tax rate (GRT) and Bangko Sentral ng Pilipinas (BSP) overnight borrowing rate plus spread of 0.125% inclusive of GRT, whichever is higher, subject to quarterly repricing. Interest rate ranges from 5.20% to 7.75% in 2023, 4.75% to 5.25% in 2022 and 4.33% to 7.25% in 2021. | **22,222,222** | 44,444,445 |
| Balance of loan obtained from UBP of ₱70.00 million, availed of last May 12, 2021 and matured on May 13, 2023. The loan is payable quarterly starting August 11, 2021. Annual interest rate ranges from 6.50% to 7.25% in 2023 and 7.25% to 6.50% in 2022. | **–** | 34,000,000 |
| | **139,125,001** | 240,402,779 |
| Less deferred financing costs | **(291,641)** | (595,049) |
| | **138,833,360** | 239,807,730 |
| Less current portion | **(67,120,578)** | (101,581,177) |
| Noncurrent portion | **₱71,712,782** | ₱138,226,553 |

Movements in long-term debt recognized in the statement of financial position are as follows:

| | **2023** | 2022 |
|---|---|---|
| Balances at beginning of year | **₱239,807,730** | ₱330,839,633 |
| Amortization of deferred financing cost | **303,408** | 245,875 |
| Payments | **(101,277,778)** | (91,277,778) |
| Balances at end of year | **₱138,833,360** | ₱239,807,730 |

As of December 31, 2023 and 2022, the Company did not meet the minimum current and debt service coverage ratios required under the Company's long-term loan agreement with RCBC. Prior to year-end, the Company's lender issued a waiver of default action against the breach of loan covenants as of December 31, 2023 and 2022. Accordingly, the Company continues to pay long-term loans based on original credit terms.

These long-term borrowings are secured by chattel mortgages on certain vessels with carrying values of ₱304.06 million and ₱321.82 million as of December 31, 2023 and 2022, respectively (see Note 9).

Deferred financing costs were incurred in connection with the financing arrangement. These costs are amortized using the effective interest method over the term of the related loans.

Rollforward analysis of deferred financing costs follow:

| | **2023** | 2022 |
|---|---|---|
| Balances at beginning of year | **₱595,049** | ₱840,924 |
| Amortization for the year | **(303,408)** | (245,875) |
| Balances at end of year | **₱291,641** | ₱595,049 |

Interest paid on short-term and long-term borrowings amounted to ₱42.28 million, ₱40.56 million and ₱35.00 million in 2023, 2022 and 2021, respectively.

## 14. Freight Revenue

Disaggregated Revenue Information

Set out below is the disaggregation of the Company's revenue from contracts with customers.

| | **2023** | 2022 | 2021 |
|---|---|---|---|
| Ocean freight | **₱2,096,438,386** | ₱2,205,498,246 | ₱1,823,841,858 |
| Other vessel revenues: | | | |
| Trucking | **388,921,901** | 396,298,920 | 376,572,693 |
| Port charges | **776,641,858** | 674,273,456 | 654,184,178 |
| Storage | **18,894,562** | 23,400,816 | 17,343,907 |
| | **₱3,280,896,707** | ₱3,299,471,438 | ₱2,871,942,636 |

Contract Balances

*Trade receivables*

The Company's trade receivables, net of allowance for ECL, amounted to ₱564.02 million and ₱672.51 million as at December 31, 2023 and 2022, respectively (see Note 6).

*Contract assets*
The Company's contract assets amounted to ₱4.04 million and ₱9.42 million as at December 31, 2023 and 2022, respectively (see Note 6).

*Performance obligations and timing of revenue recognition*
The Company's performance obligations represent ocean freight and other vessel related revenues such as trucking, port charges and storage which are generally satisfied over time once the related services are performed.

## 15. Cost of Services

| | **2023** | 2022 | 2021 |
|---|---|---|---|
| Materials, supplies and facilities (Note 7) | **₱774,171,490** | ₱944,173,818 | ₱654,742,749 |
| Outside services | | | |
| Trucking | **542,147,275** | 508,604,057 | 576,299,957 |
| Sea transport service | **240,240,433** | 290,155,909 | 324,191,419 |
| Arrastre | **222,233,257** | 245,603,760 | 272,234,225 |
| Cargo charges | **180,587,115** | 166,445,156 | 147,336,812 |
| Craneage | **130,319,247** | 126,477,316 | 110,114,600 |
| Stevedoring charges | **78,094,631** | 90,732,493 | 86,071,911 |
| Vessel related charges | **66,308,390** | 63,992,034 | 59,863,950 |
| Container rental (Note 26) | **39,580,855** | 45,281,883 | 29,948,167 |
| Depreciation (Note 9) | **139,402,857** | 115,788,872 | 133,710,837 |
| Voyage | **75,762,708** | 84,010,994 | 73,551,074 |
| Personnel cost (Note 19) | **72,514,476** | 60,218,006 | 54,389,747 |
| Vessel insurance | **63,605,044** | 55,354,943 | 50,640,266 |
| Taxes and licenses | **2,596,670** | 3,873,633 | 3,849,574 |
| Others | **12,735,653** | 24,154,677 | 23,329,416 |
| | **₱2,640,300,101** | ₱2,824,867,551 | ₱2,600,274,704 |

## 16. Terminal Expenses

| | **2023** | 2022 | 2021 |
|---|---|---|---|
| Depreciation (Notes 9 and 10) | **₱68,117,771** | ₱36,312,643 | ₱65,548,324 |
| Materials, supplies and facilities (Note 7) | **61,373,424** | 61,934,774 | 48,324,063 |
| Personnel cost (Note 19) | **40,537,547** | 26,003,526 | 23,027,466 |
| Outside services | **34,658,963** | 32,824,323 | 35,201,635 |
| Rental (Note 26) | **23,105,188** | 62,920,932 | 23,374,697 |
| Lift-on/lift-off (LOLO) charges | **6,800,122** | 6,658,927 | 11,558,550 |
| Others: | | | |
| Utilities | **5,851,626** | 6,188,800 | 4,500,595 |
| Office supplies | **1,479,932** | 2,798,307 | 3,661,018 |
| Taxes and licenses | **1,679,578** | 878,204 | 2,000,722 |
| Container van insurance | **581,744** | 486,046 | 470,108 |
| Other terminal charges | **5,129,004** | 3,208,396 | 2,538,253 |
| | **₱249,314,899** | ₱240,214,878 | ₱220,205,431 |

Outside services include security and temporary services.

## 17. General and Administrative Expenses

| | **2023** | 2022 | 2021 |
|---|---|---|---|
| Personnel cost (Note 19) | **₱68,838,936** | ₱45,667,045 | ₱36,289,933 |
| Outside services | **45,972,785** | 39,352,354 | 36,579,658 |
| Provision for ECL on trade receivables and contract assets (Note 6) | **16,562,405** | 42,851,653 | 26,980,928 |
| Taxes and licenses | **43,306,081** | 26,754,637 | 14,175,556 |
| Depreciation (Note 9) | **7,457,323** | 6,378,588 | 9,208,795 |
| Communication, light and water | **7,316,530** | 7,221,105 | 7,272,931 |
| Transportation and travel | **5,882,870** | 2,485,773 | 1,054,681 |
| Employees' training and staff meeting | **2,567,103** | 946,890 | 498,115 |
| Supplies (Note 7) | **3,711,409** | 3,226,453 | 2,873,947 |
| Service fees | **2,251,049** | 2,219,180 | 766,713 |
| Repairs and maintenance | **1,896,590** | 2,110,792 | 1,061,022 |
| Rental (Note 26) | **1,539,850** | 1,868,495 | 2,678,561 |
| Entertainment, amusement and recreation | **1,061,330** | 625,291 | 705,226 |
| Advertising | **223,597** | 161,830 | 28,571 |
| IT subscription licenses | **176,800** | 259,564 | 180,584 |
| Others | **8,751,496** | 4,091,517 | 1,740,484 |
| | **₱217,516,154** | ₱186,221,167 | ₱142,095,705 |

## 18. Retirement Benefit Obligation

The existing regulatory framework, Republic Act 7641, *Retirement Pay Law*, requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

The Company maintains a funded, tax qualified, non-contributory retirement plan (the Plan) covering all its eligible employees. Under the provisions of the plan, the normal retirement age is 60 for sea-based employees with completion of at least 5 years of service and age of 60 for shore-based employees hired before August 1, 2021 and age of 60 and 5 years of service for shore-based employees hired on or after August 1, 2021. Hired before August 1, 2021, shore-based employees at age 50 with at least 10 years of credited services can avail of an early retirement and at age 55 and 15 years of credited service for those hired on or after August 1, 2021.

The Company's retirement benefit fund ("Fund") is in the form of a trust being maintained and managed by BPI Asset Management.

The following tables summarize the components of net benefit expense recognized in the statements of income and the funded status and amounts recognized in the statements of financial position for the Plan.

Retirement expense recognized in the statements of income:

| | 2023 | 2022 | 2021 |
|---|---|---|---|
| Current service cost | **₱5,049,501** | ₱5,786,942 | ₱3,055,498 |
| Net interest cost | **4,802,581** | 3,825,733 | 1,806,780 |
| Past service cost | – | – | 110,878 |
| | **₱9,852,082** | ₱9,612,675 | ₱4,973,156 |

Actuarial losses (gains) recognized in other comprehensive income are as follows:

| | 2023 | 2022 | 2021 |
|---|---|---|---|
| Actuarial losses (gains) on defined benefit obligation due to: | | | |
| Changes in financial assumptions | **₱7,417,343** | (₱12,446,508) | (₱9,730,920) |
| Experience adjustments | **3,753,132** | 311,320 | 7,428,970 |
| Return on assets excluding amount included in net interest cost | **146,096** | 216,199 | 23,168 |
| | **₱11,316,571** | (₱11,918,989) | (₱2,278,782) |

Cumulative re-measurement effects recognized in OCI:

| | 2023 | 2022 |
|---|---|---|
| Balances at beginning of year | **(₱17,850,964)** | (₱29,769,953) |
| Actuarial gains (losses) | **(11,316,571)** | 11,918,989 |
| | **(29,167,535)** | (17,850,964) |
| Income tax effect | **561,565** | – |
| | **(₱28,605,970)** | (₱17,850,964) |

Movements in the retirement benefit obligation are as follows:

| | 2023 | 2022 |
|---|---|---|
| Balances at beginning of year | **₱76,547,471** | ₱85,877,865 |
| Benefits paid | **(3,633,770)** | (7,024,080) |
| Current service cost | **5,049,501** | 5,786,942 |
| Net interest cost | **4,802,581** | 3,825,733 |
| Actual return excluding amount included in net interest cost | **146,096** | 216,199 |
| Actuarial losses (gains) due to: | | |
| Changes in financial assumptions | **7,417,343** | (12,446,508) |
| Experience adjustments | **3,753,132** | 311,320 |
| Transferred obligation | **11,528,654** | – |
| | **₱105,611,008** | ₱76,547,471 |

Retirement benefit obligation as presented in the statement of financial position:

| | 2023 | 2022 |
|---|---|---|
| Present value of defined benefit obligation | **₱106,218,365** | ₱77,127,709 |
| Fair value of plan assets | **(607,357)** | (580,238) |
| Retirement benefit obligation | **₱105,611,008** | ₱76,547,471 |

Changes in the present value of the defined benefit obligation are as follows:

| | 2023 | 2022 |
|---|---|---|
| Balances at beginning of year | **₱77,127,709** | ₱86,466,956 |
| Current service costs | **5,049,501** | 5,786,942 |
| Interest cost | **4,975,796** | 4,033,079 |
| Actuarial losses (gains) due to: | | |
| Changes in financial assumptions | **7,417,343** | (12,446,508) |
| Experience adjustments | **3,753,132** | 311,320 |
| Benefits paid for voluntary separation | **(3,633,770)** | (7,024,080) |
| Net acquired obligation due to employee transfers | **11,528,654** | – |
| Balances at end of year | **₱106,218,365** | ₱77,127,709 |

Changes in the fair value of plan assets are as follows:

| | 2023 | 2022 |
|---|---|---|
| Balances at beginning of year | **₱580,238** | ₱589,091 |
| Interest income included in net interest cost | **173,215** | 207,346 |
| Actual return excluding amount included in net interest cost | **(146,096)** | (216,199) |
| Balances at end of year | **₱607,357** | ₱580,238 |

The fair value of plan assets by each class as at the end of the reporting period are as follows:

| | 2023 | 2022 |
|---|---|---|
| Cash and fixed-income investments | **₱607,357** | ₱580,238 |

All equity instruments held have quoted prices in active market. The remaining plan assets do not have quoted market prices in active market. The plan assets have diverse investments and do not have any concentration risk.

The principal assumptions used as of December 31, 2023 and 2022 in determining pension benefit obligations for the Company's Plan are shown below:

| | 2023 | 2022 |
|---|---|---|
| Discount rate | **6.06%** | 7.12% |
| Salary increase rate: | | |
| Land-based | **3.00%** | 3.00% |
| Sea-based | **3.00%** | 3.00% |

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of December 31, 2023 and 2022, assuming all other assumptions were held constant:

**As of December 31, 2023**

| | **Increase (decrease)** | **Effect on defined benefit obligation** |
|---|---|---|
| **Discount rate** | **+100 basis points** | **(₱7,038,544)** |
| | **–100 basis points** | **₱7,958,766** |
| **Salary increase rate** | **+100 basis points** | **₱8,650,938** |
| | **–100 basis points** | **(₱7,756,789)** |

As of December 31, 2022

| | Increase (decrease) | Effect on defined benefit obligation |
|---|---|---|
| Discount rate | +100 basis points | (₱4,826,665) |
| | –100 basis points | 5,424,952 |
| Salary increase rate | +100 basis points | ₱5,978,258 |
| | –100 basis points | (5,387,542) |

The Company expects to contribute ₱23,705,465 to the retirement fund in 2024.

The average duration of the defined benefit obligation is 9.34 years and 8.57 years as of December 31, 2023 and 2022, respectively.

## 19. Personnel Cost

| | **2023** | 2022 | 2021 |
|---|---|---|---|
| Salaries and wages | **₱144,224,688** | ₱100,313,535 | ₱87,109,523 |
| Other employee benefits | **27,814,189** | 21,962,367 | 21,624,467 |
| Retirement expense (Note 18) | **9,852,082** | 9,612,675 | 4,973,156 |
| | **₱181,890,959** | ₱131,888,577 | ₱113,707,146 |

## 20. Finance Costs and Other Charges

| | **2023** | 2022 | 2021 |
|---|---|---|---|
| Interest expense on: | | | |
| Borrowings: | | | |
| Short -term borrowings | **₱34,897,094** | ₱20,849,601 | ₱19,252,299 |
| Long-term borrowings | **15,731,507** | 20,594,869 | 17,502,349 |
| Lease liabilities (Note 26) | **16,877,602** | 6,708,995 | 9,525,654 |
| Bank and other financing charges | **1,137,552** | 2,651,949 | 1,164,088 |
| | **₱68,643,755** | ₱50,805,414 | ₱47,444,390 |

## 21. Other Income (Charges) - Net

| | **2023** | 2022 | 2021 |
|---|---|---|---|
| Rental income and others | **₱3,127,353** | ₱2,733,078 | ₱1,390,447 |
| Income (loss) from insurance claims | **(2,278,737)** | 23,028,583 | 50,737,072 |
| Net foreign exchange losses | **(1,617,408)** | (4,559,443) | (2,927,371) |
| Interest income from bank deposits (Note 5) | **91,621** | 117,002 | 180,609 |
| Gain on disposal of property and equipment - net (Note 9) | **697,008** | – | 288,295 |
| | **₱19,837** | ₱21,319,220 | ₱49,669,052 |

Income from insurance claims refers to shipping, container LOLO and other claims, which are part of the normal operating cycle of the Company, collected during the year.

## 22. Income Taxes

The Company's current provision for income tax represents regular corporate income tax (RCIT) in 2023 and 2022 and minimum corporate income tax (MCIT) in 2021.

The reconciliation of income tax computed at the statutory income tax rate to provision for (benefit from) income tax as shown in the statements of income is as follows:

| | **2023** | 2022 | 2021 |
|---|---|---|---|
| Income tax at statutory income tax rate | **₱26,285,409** | ₱4,670,412 | (₱22,102,136) |
| Additions to (reductions in) income tax resulting from: | | | |
| Movement of unrecognized deferred tax assets | **(37,826,883)** | (9,692,528) | 11,230,457 |
| Nondeductible expenses | **20,919,659** | 5,132,806 | 3,887,978 |
| Interest income subjected to final tax | **(22,905)** | (29,251) | (45,152) |
| Expired MCIT | – | – | 4,751,792 |
| Effect of change in tax rate | – | – | (1,547,748) |
| | **₱9,355,280** | ₱81,439 | (₱3,824,809) |

The components of the deferred income taxes are as follows:

| | **2023** | 2022 |
|---|---|---|
| *Deferred income taxes recognized in the statement of income:* | | |
| Deferred tax assets: | | |
| Lease liabilities | **₱57,385,992** | ₱– |
| Retirement benefit obligation | **25,841,187** | – |
| Accrual for incentive bonus | **1,239,324** | – |
| Unrealized foreign exchange losses | **59,534** | 152,794 |
| | **84,526,037** | 152,794 |
| Deferred tax liabilities | | |
| Right-of-use assets | **(53,442,446)** | – |
| Unrealized foreign exchange gains | **(362,054)** | – |
| Deferred financing costs | **(72,912)** | (148,765) |
| | **(53,877,412)** | (148,765) |
| | **30,648,625** | 4,029 |
| *Deferred income taxes recognized directly in equity:* | | |
| Deferred income tax liability on revaluation increment on land | **(24,214,341)** | (24,214,341) |
| Deferred tax asset related to retirement benefit obligation | **561,565** | – |
| | **(23,652,776)** | (24,214,341) |
| Net deferred tax asset (liabilities) | **₱6,995,849** | (₱24,210,312) |

No deferred income tax assets were recognized on the following deductible temporary differences because management believes that it is not probable that sufficient taxable income will be available to allow all or part of the deferred tax asset to be utilized:

| | **2023** | 2022 |
|---|---|---|
| Allowance for impairment losses on: | | |
| Trade and other receivables | **₱153,600,795** | ₱200,450,999 |
| Deposit | **4,105,842** | 4,105,842 |
| Retirement benefit obligation | – | 76,547,471 |
| Leases | – | 15,950,365 |
| Unrealized foreign exchange loss | – | 2,889,181 |
| | **₱157,706,637** | ₱299,943,858 |

## 23. **Equity**

Capital Stock

On July 22, 1996, the Company listed its common stock with the PSE, wherein it offered 300,751,880 shares to the public at the issue price of ₱5.96 per share.

On September 4, 2006, the SEC approved the increase in the Company's authorized capital stock from ₱700.0 million divided into 400.0 million common shares, and 300.0 million preferred shares, both with a par value of ₱1.0 per share, to ₱1.0 billion divided into 895,058,756 common shares and 104,941,244 preferred shares, both with a par value of ₱1.00 per share. In separate meetings, the BOD and the shareholders resolved that the increase of the authorized capital stock shall be funded by the declaration of stock dividends equivalent to 75,187,967 common shares with a par value of ₱1.00 per share. On October 3, 2006, the PSE approved the application of the Company to list additional shares relating to the issuance of stock dividends.

On December 29, 2006, certain shareholders owning 96,125,243 preferred shares opted to convert their shares into 1 common share per 1 preferred share, plus stock dividends equivalent to 86.96% common share for every preferred share (equivalent to 83,587,161 shares). The Company filed Form 10.1 with SEC for the exemption from registration requirements of the converted 96,125,243 preferred shares into 179,712,404 common shares.

On September 21, 2007, the SEC approved the amendment of Article VII of the Company's Articles of Incorporation through the retirement of 8,816,001 preferred shares and conversion of 96,125,243 preferred shares into common shares resulting in the reduction of the Company's authorized capital stock to 991,183,999 with par value of ₱1.00 per share.

On November 28, 2007, the PSE has approved the Company's application to list additional 96,125,243 common shares to cover the underlying common shares for the conversion of a total of 96,125,243 preferred shares at a conversion rate of one (1) common share for every one (1) convertible preferred share. In addition, the PSE has approved the application of the Company to list additional 83,587,161 common shares, with a par value of ₱1.00 per share, to cover the 86.96% stock dividend declaration to the stockholders who opted to convert their preferred shares to common shares in 2007.

The Company has 899 and 902 shareholders as of December 31, 2023 and 2022, respectively.

## 24. **Earnings (Loss) Per Share**

Following are the bases for the computation of loss per share as of December 31:

| | **2023** | 2022 | 2021 |
|---|---|---|---|
| Net income (loss) available to common shareholders | **₱95,786,355** | ₱18,600,209 | (₱84,583,733) |
| Weighted average number of outstanding common shares | **554,642,251** | 554,642,251 | 554,642,251 |
| Basic and diluted earnings (loss) per share | **₱0.17** | ₱0.03 | (₱0.15) |

For the years ended December 31, 2023, 2022 and 2021 there were no shares of stock that have a potentially dilutive effect on the basic earnings (loss) per share of the Company.

## 25. **Related Party Transactions**

Parties are considered to be related if one party has the ability to control, directly or indirectly, the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities.

Transactions with related parties are accounted for based on the nature and substance of the agreement, and financial effects are included in the appropriate asset, liabilities, income and expense accounts.

*Approval Requirements and Limits on the Amount and Extent of Related Party Transactions*
Material related party transactions (MRPT) refers to any related party transactions, either individually, or in aggregate over a twelve (12)-month period with the same related party, amounting to ten percent (10%) or higher of the Company's total assets based on its latest audited financial statements.

All individual MRPT's shall be approved by at least two-thirds (2/3) vote of the BOD, with at least a majority of the Independent Directors voting to approve the MRPT. In case that a majority of the Independent Directors' vote is not secured, the MRPT may be ratified by the vote of the stockholders representing at least two-thirds (2/3) of the outstanding capital stock.

Aggregate RPT transactions within a 12 -month period that meets or breaches the materiality threshold shall require the same BOD approval mentioned above.

The following are the more significant related party transactions and balances as of and for the years ended December 31, 2023, 2023 and 2021 not separately shown elsewhere in the financial statements.

| | | | | | | Amounts Owed by Related Parties | | Amounts Owed to Related Parties | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Related Parties | Year | **Revenue** | **Purchases** | **Management Fees** | **Insurance, Rental, and Other Services** | **Trade** (Note 6) | **Non-Trade** (Note 6) | **Trade** (**Note** 12) | **Non-Trade** (**Note** 12) | **Terms** | **Conditions** |
| *Ultimate Parent* | | | | | | | | | | | |
| A. Magsaysay, Inc. (AMI) | **2023** | **₱–** | **₱–** | **₱–** | **₱8,102,230** | **₱–** | **₱–** | **₱14,419,803** | **₱20,406,132** | Various; Payable within the following month | Unsecured; |
| | 2022 | ₱– | ₱– | ₱– | ₱9,056,382 | ₱– | ₱– | ₱9,373,716 | ₱21,926,844 | | |
| | 2021 | ₱– | ₱– | ₱– | ₱4,227,376 | ₱– | ₱– | ₱– | ₱20,086,850 | | |
| *Parent:* | | | | | | | | | | | |
| NMC | **2023** | – | – | – | **19,302,387** | – | **8,442,513** | **289,945** | **14,419,853** | Various; Payable within the following month | Unsecured; No impairment for receivables |
| | 2022 | – | – | – | 13,116,866 | – | 8,081,289 | 122,940 | 14,300,726 | | |
| | 2021 | – | – | – | 13,116,866 | 23,973 | 44,157 | 6,325,319 | 5,232,982 | | |
| *Affiliates:* | | | | | | | | | | | |
| One Stop Logistics Solutions, Inc. (OLSI) | **2023** | **36,560,622** | **723,735** | – | **–** | **17,383,999** | | – | **1,054,111** | Logistics services - Payable within the month | Unsecured; No impairment for receivables |
| | 2022 | 25,832,154 | 2,206,854 | – | – | 1,363,097 | – | 2,925,719 | 1,054,111 | | |
| | 2021 | 23,585,249 | 1,571,226 | – | – | 14,303,442 | – | 3,321,788 | 997,819 | | |
| One Stop Warehousing Solutions, Inc. (OWSI) | **2023** | – | – | – | **–** | **701,614** | | **28,856,761** | **1,808,799** | Warehousing solutions - Payable within the month | Unsecured; No impairment for receivables |
| | 2022 | – | – | – | – | 292,110 | – | 28,856,761 | 1,808,799 | | |
| | 2021 | – | – | – | 1,614,999 | 305,760 | – | 28,856,761 | 1,808,799 | | |
| NMC Container Lines, Inc. (NMCCLI) | **2023** | – | – | – | **265,585,148** | **26,049,982** | **11,354,530** | **–** | **100,792,108** | Sea transport service/ Container van rental - Payable within the following month | Unsecured; No impairment for receivables |
| | 2022 | – | – | – | 315,340,059 | 47,724,127 | 24,757 | – | 140,222,524 | | |
| | 2021 | – | – | – | 332,927,347 | 49,736,480 | 1,000,000 | – | 164,668,335 | | |
| Magsaysay Shipmanagement, Inc. (MSI) | **2023** | – | – | – | **26,432,220** | **–** | **600,850** | **72,589,619** | **18,735** | Vessel maintenance and ship/crew management services - Payable within the following month | Unsecured; No impairment for receivables |
| | 2022 | – | – | – | 24,029,306 | – | 600,850 | 71,498,696 | – | | |
| | 2021 | – | – | 1,922,343 | 22,106,963 | 617,439 | – | 67,134,974 | – | | |
| Roadlink Solution Inc (RLSI) | **2023** | **362,500** | – | – | **55,521,457** | **211,239** | **23,327** | **2,333,404** | – | Trucking services; Payable in 30 days | Unsecured; No impairment for receivables |
| | 2022 | – | – | – | 71,226,450 | 289,763 | 94,878 | 8,700,192 | – | | |
| | 2021 | – | – | – | 64,416,855 | 638,813 | – | 3,985,933 | – | | |

*Forward*

| Related Parties | Year | Revenue | Purchases | Management Fees | Insurance, Rental, and Other Services | Amounts Owed by Related Parties | | Amounts Owed to Related Parties | | Terms | Conditions |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Trade (Note 6) | Non-Trade (Note 6) | Trade (Note 12) | Non-Trade (Note 12) | | |
| Marine Fuels Philippines, Inc. (MFPI) | **2023** | **₱–** | **₱ 507,753,113** | **₱–** | **₱ 8,347,144** | **₱–** | **₱–** | **₱415,957,471** | **₱15,084,136** | Fuel – Payable in 30 days | Unsecured |
| | 2022 | ₱– | ₱241,625,156 | ₱– | ₱– | ₱– | ₱– | ₱526,419,057 | ₱3,760,950 | | |
| | 2021 | ₱– | ₱567,036,662 | ₱– | ₱– | ₱– | ₱– | ₱642,090,244 | ₱3,760,950 | | |
| NMC Ship Agency and Brokerage Inc (NAB) | **2023** | – | – | – | **738,987** | **260,700** | **–** | **695,432** | – | Shipping Agent – Payable in 30 days | Unsecured; No impairment for receivables |
| | 2022 | – | – | – | 1,081,856 | 260,700 | – | 1,596,746 | – | | |
| | 2021 | – | – | – | 269,781 | 43,344 | – | – | – | | |
| Icebox Logistics Services, Inc. (ILSI) | **2023** | **44,249,466** | – | | | **10,228,718** | **26,003** | **406,373** | – | Logistics services; Payable within the following month | Unsecured; No impairment for receivables |
| | 2022 | 75,218,864 | – | – | – | 20,260,611 | 23,157 | 406,373 | – | | |
| | 2021 | 55,855,378 | – | – | – | 29,444,129 | – | 1,171,676 | – | | |
| Global Process Manager Inc. (GPMI) | **2023** | **–** | **–** | **–** | **11,424,930** | **–** | **206,910** | **3,191,960** | **–** | Various; Payable within the following month | Unsecured |
| | 2022 | – | – | – | 10,319,190 | – | 206,910 | 3,399,389 | – | | |
| | 2021 | – | – | – | – | – | – | – | – | | |
| *Other shareholders:* | | | | | | | | | | | |
| Others | **2023** | – | **2,297,638** | – | **46,625** | – | **250,000** | **533,286** | **1,127,318** | Various; Collectible/ payable within the following month | Unsecured; No impairment for receivables |
| | 2022 | – | 1,971,594 | – | 210,675 | 29,192 | 250,000 | 782,939 | 3,079,507 | | |
| | 2021 | – | – | – | – | 250,000 | – | 524,889 | 2,729,591 | | |
| **Total** | **2023** | **₱81,172,588** | **₱510,774,486** | **₱–** | **₱395,501,128** | **₱54,836,252** | **₱20,904,133** | **₱539,274,054** | **₱154,711,192** | | |
| | 2022 | ₱101,051,018 | ₱245,803,604 | ₱– | ₱444,380,784 | ₱70,219,600 | ₱9,281,841 | ₱654,082,528 | ₱186,153,461 | | |
| | 2021 | ₱79,440,627 | ₱568,607,888 | ₱1,922,343 | ₱438,680,187 | ₱95,363,380 | ₱1,044,157 | ₱753,411,584 | ₱199,285,326 | | |

Magsaysay Group of Companies

- AMI, ultimate parent, service fees paid to AMI for the centralized services of legal services, human resource organizational management, central purchasing unit and I.T. services.

- The Company has a service-level agreement with NMC, the parent company, covering certain services. Service fee charges to operations amounted to ₱19.30 million in 2023 and ₱13.12 million in 2022 and 2021.

  In 2023 and 2022, the Company has advances from NMC amounting to ₱38.18 million, which is due and demandable, unsecured and payable in cash.

- NMCCLI and MFPI are subsidiaries of NMC. NMCCLI has a sea transport service agreement with the Company while MFPI supplies fuel to the Company.

- The Company has service level agreement with GPMI for financing services. The service fees charged to operations amounted to ₱11.42 million and ₱10.32 million in 2023 and 2022, respectively.

- MSI under common control with AMI. The Company entered into a ship management and vessel maintenance agreement with MSI whereby the Company appointed MSI as the manager of its vessels. The agreement is renewable annually.

- OLSI, a wholly-owned subsidiary of NMC, is engaged in warehousing, project and rolling cargo handling and other cargo related services.

- ILSI is a subsidiary of NMC. ILSI purchases container cargo slots (with power supply) on Company vessels for their refrigerated containers.

- NAB, RLSI and OWSI are wholly-owned subsidiaries of NMC.

- *Long-term borrowing with a related party*
  On December 31, 2022, the Company has assessed that it will not be able to settle its trade payable amounting to ₱150,305,719, to MFPI (a wholly owned subsidiary of NMC) within the next twelve (12) months from the reporting period. Both entities agreed to convert the said amount to long-term, which is to be settled within two (2) years starting January 2023. In 2022, both parties agreed to revise the term of the loan to three (3) years and the repayment period to start in January 2024. The long-term payable is interest bearing at the prevailing market interest. On December 31, 2023, the Company and MFPI agreed to convert additional ₱100,206,638, which is to be settled within three (3) years starting January 2025. The long-term payable is interest bearing at the prevailing market interest.

  Movements in other noncurrent liabilities in the statement of financial position are as follows:

| | **2023** | 2022 |
|---|---|---|
| Balances at beginning of year | **₱150,305,719** | ₱150,305,719 |
| Conversion | **100,206,638** | – |
| Payments | **(25,286,989)** | – |
| Balances at ending of year | **225,225,368** | 150,305,719 |
| Less current portion | **24,814,918** | – |
| Noncurrent portion | **₱200,410,450** | ₱150,305,719 |

In 2023, the Company paid ₱25,286,989. The long-term payable bear annual interest at 4.46% to 7.25% and 4.00% to 4.46% in 2023 and 2022, respectively. Interest expense on long term loans amounted to ₱8,046,377 and ₱5,925,085 in 2023 and 2022, respectively.

Other Shareholders

- Other related parties mentioned are businesses owned by various shareholders or directors of the Company and has transactions with the Company in the regular course of business.

All transactions with related parties are settled in cash.

Compensation of Key Management Personnel

| | **2023** | 2022 | 2021 |
|---|---|---|---|
| Short-term employee benefits | **₱20,182,324** | ₱18,983,477 | ₱6,425,659 |
| Post-employment benefits | **1,552,773** | 1,535,303 | 1,045,706 |
| | **₱21,735,097** | ₱20,518,780 | ₱7,471,365 |

## 26. Leases

*Company* as a lessee
The Company has lease contracts for various items of container yard, container vans, warehouse and equipment used in its operations. Leases of container yards generally have lease terms between 1.5 and 7 years, container vans generally have a lease terms of 2 and 5 years, warehouse and equipment generally have lease terms between 4 and 4.5 years and office space has a lease term of 2 and 7 years. The Company's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Company is restricted from assigning and subleasing the leased assets.

The Company also has certain leases on container yards, container vans, warehouse and equipment with lease terms of 12 months or less. The Company applies the 'short-term lease' recognition exemptions for these leases.

The following are the amounts recognized in the statement of income:

| | **2023** | 2022 | 2021 |
|---|---|---|---|
| Depreciation of ROU assets (Note 9) | **₱67,221,937** | ₱35,790,071 | ₱65,548,324 |
| Expenses relating to short-term leases included in: | | | |
| Cost of services (Note 15) | **39,580,855** | 45,281,883 | 29,948,167 |
| Terminal expenses (Note 16) | **23,105,188** | 62,920,932 | 23,374,697 |
| General and administrative expenses (Note 17) | **1,539,850** | 1,868,495 | 2,678,561 |
| Interest expense on lease liabilities (Note 20) | **16,877,602** | 6,708,995 | 9,525,654 |
| Unrealized foreign exchange loss | **809,842** | 611,174 | 652,991 |
| Total amount recognized in statement of income | **₱149,135,274** | ₱153,181,550 | ₱131,728,394 |

The rollforward analysis of lease liabilities are as follows:

| | **2023** | 2022 |
|---|---|---|
| At January 1 | **₱87,630,153** | ₱104,021,022 |
| Additions (Note 9) | **209,688,638** | 19,033,344 |
| Interest expense (Note 20) | **16,877,602** | 6,708,995 |
| Unrealized foreign exchange loss | **809,842** | 611,174 |
| Modification | **234,471** | – |
| Payments | **(85,696,737)** | (42,744,382) |
| As at December 31 | **₱229,543,969** | ₱87,630,153 |

Lease liabilities are presented in the statements of financial position as follows:

| | **2023** | 2022 |
|---|---|---|
| Lease liabilities - current portion | **₱65,247,182** | ₱33,832,479 |
| Lease liabilities - noncurrent portion | **164,296,787** | 53,797,674 |
| | **₱229,543,969** | ₱87,630,153 |

The Company has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Company's business needs. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised (see Note 4).

Shown below is the maturity analysis of the undiscounted lease payments as of December 31, 2023 and 2022:

| | **2023** | 2022 |
|---|---|---|
| Within 1 year | **₱80,328,339** | ₱39,126,381 |
| More than 1 years to 2 years | **75,366,439** | 20,226,846 |
| More than 2 years to 3 years | **70,067,355** | 14,527,264 |
| More than 3 years to 4 years | **27,220,693** | 12,507,957 |
| More than 4 years to 5 years | **9,722,725** | 13,697,878 |

## 27. Financial Instruments

Financial Risk Management Objectives and Policies

Risk management is carried out by the Management Committee (ManCom) under policies approved by the Executive Committee (ExCom) and the BOD. Audit Committee identifies, evaluates, and hedges financial risks in close cooperation with the Company's ManCom. ExCom and BOD approve written principles provided by ManCom for overall risk management, as well as written policies, covering specific ones such as internal control policies, freight policies, purchasing policies and operational policies among others.

The Company's principal financial liabilities consist of accounts payable and other current liabilities, borrowings and lease liabilities. The main purpose of these financial instruments is to raise funds for the Company's operations. The Company has various financial assets such as cash and cash equivalents, trade and other receivables and deposits included under other noncurrent assets which arise directly from its operations.

The Company's activities expose it to a variety of financial risks. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. Consistent with prior year, the Company's policies for managing each of these risks are summarized below:

*Interest rate risk*
The Company depends on funds procured from external sources to meet substantial capital expenditure requirements. The Company reviews its exposure to interest rate risk through quarterly monitoring of actual figures against projections. Management believes that cash generated from operations is sufficient to pay its obligations under the loan agreements as they fall due.

The following tables set out the undiscounted amounts as of December 31, 2023 and 2022 by maturity, of the Company's financial instruments that are exposed to interest rate risk:

| Floating Rate | | Within 1 Year | 1-2 Years | 2-5 Years | Over 5 Years | Total |
|---|---|---|---|---|---|---|
| Long-term borrowings | **2023** | **₱80,166,026** | **₱52,388,248** | **₱248,289,483** | **₱–** | **₱380,843,757** |
| | 2022 | ₱101,581,177 | ₱66,974,379 | ₱228,856,577 | ₱– | ₱397,412,133 |
| Short-term borrowings | **2023** | **341,963,292** | **–** | **–** | **–** | **341,963,292** |
| | 2022 | 320,640,916 | – | – | – | 320,640,916 |

Interest on financial instruments classified as floating rate is repriced at intervals of less than one year.

| Fixed Rate | | Within 1 Year | 1-2 Years | 2-4 Years | Over 4 Years | Total |
|---|---|---|---|---|---|---|
| Lease liabilities | **2023** | **₱80,328,339** | **₱75,366,439** | **₱97,288,048** | **₱9,722,725** | **₱262,705,551** |
| | 2022 | ₱39,126,381 | ₱20,226,846 | ₱27,035,221 | ₱13,697,878 | ₱100,086,326 |

Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument.

The other financial instruments of the Company that are not included in the above tables are noninterest-bearing and are therefore not subject to interest rate risk.

The following table demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the Company's income before tax (through the impact on floating rate borrowings):

| | Year | Increase/Decrease in Basis Points | Effect on Income Before Tax |
|---|---|---|---|
| Interest-bearing loans and borrowings | **2023** | **+250** | **(₱17,580,260)** |
| | | **-250** | **17,580,260** |
| | 2022 | +54 | (₱3,823,049) |
| | | -54 | 3,823,049 |

The sensitivity of the Company's income is the effect of assumed changes in interest rates based on the bank's projection of 90-day interest rates using a combination of technical analysis and trending techniques.

There is no other impact on the Company's equity other than those already affecting the statement of income.

*Foreign currency risk*
The Company's foreign currency risk results primarily from the foreign exchange rate movements of the Philippine peso against foreign currencies. The Company resolved to mitigate this risk by taking advantage of market trends. Such trends are used to determine the proper timing of foreign currency transactions in order to realize a foreign currency gain.

The following table demonstrates the sensitivity to a reasonable change in the Philippine peso exchange rate in relation to foreign currencies based on the bank's projection of foreign currency fluctuations, with all variables held constant, of the Company's income before tax:

| | Effect on Income Before Tax | | Effect on Loss Before Tax |
|---|---|---|---|
| | **2023** | 2022 | 2021 |
| **US Dollar** | | | |
| Strengthened (2023: 6%, 2022: 6%, 2021: 4%) | **(₱4,030,456)** | (₱2,002,294) | ₱692,376 |
| Weakened (2023: 6%, 2022: 6%, 2021: 4%) | **4,030,456** | 2,002,294 | (692,376) |
| **Euro** | | | |
| Strengthened (2023: 9%, 2022: 11%, 2021: 6%) | **(903,025)** | (338,593) | 62,280 |
| Weakened (2023: 9%, 2022: 11%, 2021: 6%) | **903,025** | 338,593 | (62,680) |

There is no other impact on the Company's equity other than those already affecting the statement of income.

The Company's foreign currency denominated monetary assets and liabilities as of December 31 consist of:

| | **2023** | |
|---|---|---|
| | **US Dollar** | **Euro** |
| Current assets | **$35,524** | **€–** |
| Current liabilities | **(666,079)** | **(165,469)** |
| Noncurrent liabilities | **(582,634)** | **–** |
| Net foreign currency denominated liabilities | **(1,213,189)** | **(165,469)** |
| Exchange rate used | **55.37** | **60.64** |
| Peso equivalent | **(₱67,174,275)** | **(₱10,034,040)** |

| | **2022** | |
|---|---|---|
| | US Dollar | Euro |
| Current assets | $179,874 | €– |
| Current liabilities | (778,467) | (51,707) |
| Net foreign currency denominated liabilities | (598,593) | (51,707) |
| Exchange rate used | 55.75 | 59.53 |
| Peso equivalent | (₱33,371,560) | (₱3,078,118) |

The Company had a net unrealized foreign exchange gain of ₱0.64 million in 2023 and net unrealized foreign exchange loss of ₱3.50 million and ₱0.67 million in 2022 and 2021, respectively.

*Credit risk*

Credit risk is defined as the risk of loss arising from the default of an individual, counterparty or issuer not being able to or unwilling to honor its contractual obligations. The Company's exposure to this risk is primarily due to its transactions with its trading customers.

The Company counters this risk by trading only with recognized, creditworthy third parties. It employs standard process in granting credit lines to customers. It performs thorough evaluation of its customers' operations and financial standing to ensure that its customers are able to meet its contractual obligation.

*Trade and other receivables*
Customer credit risk is managed by the Company subject to the Company's established policy, procedures and controls relating to customer credit risk management. The Company monitors receivable balances and ensures that customers are able to settle their obligation within the agreed terms. Its Credit and Collection Department is responsible for the collection of these receivables and ensures that customers are able to settle their obligation.

*Cash in banks*
Credit risk from cash in banks is managed by the Company's treasury department in accordance with the Company's policy.

The Company has the following financial assets that are subject to the expected credit loss model:

*General Approach*

- *Cash in banks*. The ECL relating to the cash of the Company is minimal as these are deposited in reputable banks which have good credit rating, and are considered to have lower credit risk.

- *Other receivables*. The Company did not recognize any allowance to receivable from counterparties based on benchmarking / use of external supplementary data. This assessment is undertaken each financial year through examination of the financial position of the related parties and the markets in which the related parties operates.

- *Refundable Deposits*. Refundable deposits are deposited with a third party which have good credit standing and are considered to have lower credit risk, hence, probability of default is expected to be less likely.

*Simplified Approach*

- *Trade receivables and contract assets*. The Company applied the simplified approach under PFRS 9, using a 'provision matrix', in measuring expected credit losses which uses a lifetime expected loss allowance for receivables. The expected loss rates are based on the payment profiles of revenues/sales over a period of at least 24 months before the relevant reporting date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers/counterparties to settle the receivables. The Company has identified the core inflation rate to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes in this factor.

| | 2023 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Trade receivables | | | | | | | |
| Amounts in millions | | | Days Past Due | | | | | | |
| | **Contract assets** | **Current*** | **1-30 days** | **31-60 days** | **61-90 days** | **Over 90 days** | **Specific identification** | **Total** |
| Expected loss rate | **1.75%** | **1.42%** | **3.82%** | **8.16%** | **13.31%** | **19.25%** | **100%** | |
| Estimated gross carrying amount at default | **₱4.11** | **₱410.43** | **₱69.96** | **₱28.29** | **₱1.59** | **₱80.20** | **₱127.08** | **₱721.66** |
| Expected credit loss | **₱0.07** | **₱5.82** | **₱2.67** | **₱2.31** | **₱0.21** | **₱15.44** | **₱127.08** | **₱153.60** |

**includes accrued receivables*

| Amounts in millions | 2022 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | Trade receivables | | | | | | |
| | | | Days Past Due | | | | | |
| | Contract assets | Current* | 1-30 days | 31-60 days | 61-90 days | Over 90 days | Specific identification | Total |
| Expected loss rate | 18.29% | 2.62% | 6.75% | 12.91% | 19.72% | 27.54% | 100% | |
| Estimated gross carrying amount at default | ₱11.53 | ₱482.78 | ₱83.46 | ₱16.53 | ₱6.52 | ₱144.83 | ₱136.73 | ₱882.38 |
| Expected credit loss | ₱2.11 | ₱12.67 | ₱5.63 | ₱2.13 | ₱1.29 | ₱39.89 | ₱136.73 | ₱200.45 |

**includes accrued receivables*

Concentration of risk arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic feature that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions, such as fluctuations in currencies or interest rates. The Company has no significant concentration of credit risk.

The Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of its financial assets.

The following table shows the Company's maximum exposure to credit risk:

| | **2023** | 2022 |
|---|---|---|
| Cash in banks and cash equivalents | **₱98,400,666** | ₱61,854,759 |
| Trade and other receivables: | | |
| Trade | **564,024,184** | 672,511,754 |
| Non-trade | **20,904,133** | 9,281,841 |
| Receivables from officers and employees | **3,487,903** | 4,561,603 |
| Other receivables | **38,176,501** | 44,556,017 |
| Deposits included in "Other noncurrent assets" | **16,477,051** | 15,934,950 |
| | **₱741,470,439** | ₱808,700,924 |

*Liquidity risk*

Liquidity risk is the risk that the Company will not be able to settle or meet its financial obligations when they fall due. To mitigate exposure to such risk, the Company regularly monitors its cash position and loan due dates to ensure sufficient fund for working capital and to meet obligations as they fall due.

The tables below summarize the maturity profile of the Company's financial liabilities as of December 31, 2023 and 2022 based on contractual undiscounted cash flows. The table also analyses the maturity profile of the Company's financial assets in order to provide a complete view of the Company's contractual commitments. The analysis into relevant maturity grouping is based on the remaining period at the end of the reporting period to the contractual maturity dates:

| | **2023** | | | |
|---|---|---|---|---|
| | **Less than 6 Months** | **6 Months to 1 Year** | **Over 1 Year** | **Total** |
| ***Financial liabilities:*** | | | | |
| **Short-term borrowings*** | **₱343,923,208** | **₱–** | **₱–** | **₱343,923,208** |
| **Long-term borrowings*** | **37,709,981** | **36,569,462** | **76,226,128** | **150,505,571** |
| **Long-term borrowing - related party*** | **12,888,248** | **12,888,248** | **215,942,260** | **241,718,756** |
| **Lease liabilities** | **41,788,958** | **38,539,381** | **182,377,212** | **262,705,551** |
| **Accounts payable and other current liabilities**** | **1,420,983,975** | **–** | **–** | **1,420,983,975** |
| | **₱1,857,294,370** | **₱87,997,091** | **₱474,545,600** | **₱2,419,837,061** |

*(Forward)*

| | **2023** | | | |
|---|---|---|---|---|
| | **Less than 6 Months** | **6 Months to 1 Year** | **Over 1 Year** | **Total** |
| ***Financial assets:*** | | | | |
| **Cash** | **₱99,128,666** | **₱–** | **₱–** | **₱99,128,666** |
| **Trade and other receivables:** | | | | |
| **Trade** | **436,887,456** | **127,136,728** | **–** | **564,024,184** |
| **Non-trade** | **20,904,133** | **–** | **–** | **20,904,133** |
| **Receivables from officers and employees** | **3,487,903** | **–** | **–** | **3,487,903** |
| **Other receivables** | **38,176,501** | **–** | **–** | **38,176,501** |
| **Deposits** | **485,100** | **1,352,968** | **16,477,051** | **18,315,119** |
| | **₱599,069,759** | **₱128,489,696** | **₱16,477,051** | **₱744,036,506** |

**Including interest*
***Excluding statutory liabilities*

| | 2022 | | | |
|---|---|---|---|---|
| | Less than 6 Months | 6 Months to 1 Year | Over 1 Year | Total |
| *Financial liabilities:* | | | | |
| Short-term borrowings* | ₱323,151,246 | ₱– | ₱– | ₱323,151,246 |
| Long-term borrowings* | 73,470,132 | 37,752,584 | 149,282,213 | 260,504,929 |
| Long-term borrowing - related party* | – | – | 157,009,354 | 157,009,354 |
| Lease liability | 23,491,582 | 15,634,798 | 60,959,945 | 100,086,325 |
| Accounts payable and other current liabilities** | 1,533,165,718 | – | – | 1,533,165,718 |
| | ₱1,953,278,678 | ₱53,387,382 | ₱367,251,512 | ₱2,373,917,572 |
| *Financial assets:* | | | | |
| Cash | ₱62,526,759 | ₱– | ₱– | ₱62,526,759 |
| Trade and other receivables: | | | | |
| Trade | 436,207,868 | 236,303,886 | – | 672,511,754 |
| Non-trade | 9,281,841 | – | – | 9,281,841 |
| Receivables from officers and employees | 4,561,603 | – | – | 4,561,603 |
| Other receivables | 44,556,017 | – | – | 44,556,017 |
| Deposits | – | – | 15,934,949 | 15,934,949 |
| | ₱557,134,088 | ₱236,303,886 | ₱15,934,949 | ₱809,372,923 |

**Including interest*
***Excluding statutory liabilities*

To address the negative gaps, the Company can utilize its available unused credit lines, obtain continued financial support from its related parties, collection of insurance claims and various revenue enhancement programs and cost reduction initiatives to further improve the results of operations.

Classification and Fair Values of Financial Instruments

Set out below is a comparison by category of carrying amounts and fair values of the Company's financial instruments that are carried in the financial statements.

| | **Carrying Amount** | | **Fair Value** | |
|---|---|---|---|---|
| | **2023** | 2022 | **2023** | 2022 |
| *Amortized cost*: | | | | |
| Deposits | **₱16,477,051** | ₱15,934,949 | **₱16,477,051** | ₱15,934,949 |
| *Other financial liabilities*: | | | | |
| Long-term borrowings | **138,833,360** | 239,807,730 | **128,909,769** | 239,833,359 |
| Other noncurrent liabilities | **200,410,450** | 150,305,719 | **200,410,450** | 150,305,719 |
| | **₱339,243,810** | ₱390,113,449 | **₱329,320,219** | ₱390,139,078 |

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

*Cash and cash equivalents, trade and other receivables, contract assets, accounts payable and other current liabilities, and short-term borrowings*
The management assessed that the fair values of cash and cash equivalents, trade and other receivables, contract assets, accounts payable and other current liabilities, short-term borrowings and long-term borrowings reclassified to current due to breach of contract terms approximate their carrying amount largely due to the relatively short-term maturity of these financial instruments.

*Deposits included in "Other noncurrent assets"*
The fair value of deposits under other noncurrent assets is estimated by discounting future cash flows using prevailing interest rates.

*Long-term borrowings*
The carrying amount of long-term borrowings approximate its fair value due to quarterly repricing of interest.

*Other noncurrent liabilities*
The carrying amount of other noncurrent liabilities approximate its fair value due to quarterly repricing of interest.

*Fair value hierarchy*
The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: Those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)

Level 3: Those inputs for the asset or liability that are not based on observable market data (unobservable inputs)

As of December 31, 2023 and 2022, the Company held the following financial instruments that are carried at amortized cost but for which fair values are required to be disclosed:

**December 31, 2023**

| | Total | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| Disclosed at fair value: | | | | |
| Deposits included in "Other noncurrent assets" | **₱16,477,051** | **₱–** | **₱–** | **₱16,477,051** |
| Long-term borrowings | **138,833,360** | **–** | **–** | **138,833,360** |

December 31, 2022

| | Total | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| Disclosed at fair value: | | | | |
| Deposits included in "Other noncurrent assets" | ₱15,934,949 | ₱– | ₱– | ₱15,934,949 |
| Long-term borrowings | 239,807,730 | – | – | 239,807,730 |

There were no transfers between Level 1 and Level 2 fair value measurement, and there were no transfers into and out of Level 3 fair value measurement.

## 28. Capital Management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios to support its business and maximize shareholder value.

The Company monitors capital using debt-to-equity ratio (see Note 13). Capital includes equity attributable to common shareholders, share premium and accumulated earnings. Debt includes all liabilities, current and long-term interest-bearing loans and borrowings and retirement obligation.

| | **2023** | 2022 |
|---|---|---|
| Short-term borrowings and accounts payable and other current liabilities | **₱1,927,650,752** | ₱1,970,421,785 |
| Long-term borrowings | **138,833,360** | 239,807,730 |
| Long term payable to related party | **225,225,368** | 150,305,719 |
| Lease liabilities | **229,543,969** | 87,630,153 |
| Retirement benefit obligation | **105,611,008** | 76,547,471 |
| Total debt | **2,626,864,457** | 2,524,712,858 |
| Common stock | **555,652,251** | 555,652,251 |
| Additional paid-in capital | **459,791,492** | 459,791,492 |
| Actuarial losses on defined benefit plan | **(28,605,970)** | (17,850,964) |
| Treasury shares | **(3,125,850)** | (3,125,850) |
| Revaluation increment | **72,643,023** | 72,643,023 |
| Deficit | **(589,819,746)** | (685,606,101) |
| Total equity | **466,535,200** | 381,503,851 |
| Total debt and equity | **₱3,093,399,657** | ₱2,906,216,709 |

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may declare dividends, reacquire outstanding shares, or issue new shares.

No changes were made in the objectives, policies or processes on capital management during the years ended December 31, 2023 and 2022.

## 29. Other Matters

*Contingencies*

In the ordinary course of business, the Company is a defendant in various litigations and claims. The Company has an ongoing case with the Court of Tax Appeals (CTA). As of October 8, 2021, the CTA En Banc issued a resolution in favor of the Company, rendering the BIR assessment void and denying the “motion for reconsideration”. The Company’s legal counsel expects that the BIR will exhaust its legal remedies and will elevate the case to the Supreme Court of the Philippines.

On March 21, 2022, the Supreme Court (SC) issued a Notice of Resolution granting BIR’s Motion for Extension to File Petition for Review.

On October 20, 2023, the Supreme Court (SC) issued a Notice of Resolution that the BIR has failed to file the intended petition for review on certiorari within a period granted in the Resolution dated March 21, 2022 which expired on December 6, 2021. The Court resolved to declare the case closed and terminated.

## 30. Notes to Statement of Cash Flows

| *Changes in liabilities arising from financing activities* | **January 1, 2023** | **Cash flows** | **Foreign exchange Movement** | **Others** | **December 31, 2023** |
|---|---|---|---|---|---|
| Interest payable | **₱5,483,785** | **(₱69,738,324)** | **₱–** | **₱68,643,755** | **₱4,389,216** |
| Short-term borrowings | **320,640,916** | **21,322,376** | – | – | **341,963,292** |
| Current portion of: | | | | | |
| Long-term borrowings | **101,581,177** | **(101,277,778)** | – | **66,817,179** | **67,120,578** |
| Long-term borrowing – related party | – | **(25,286,989)** | – | **50,101,907** | **24,814,918** |
| Lease liabilities | **33,832,479** | **(68,819,135)** | **809,842** | **99,423,996** | **65,247,182** |
| Noncurrent portion of: | | | | | |
| Long-term borrowings | **138,226,553** | – | – | **(66,513,771)** | **71,712,782** |
| Long-term borrowing with related party | **150,305,719** | – | – | **50,104,731** | **200,410,450** |
| Lease liabilities | **53,797,674** | – | – | **110,499,113** | **164,296,787** |
| Total liabilities from financing activities | **₱803,868,303** | **(₱243,799,850)** | **₱809,842** | **₱379,076,910** | **₱939,955,205** |

| *Changes in liabilities arising from financing activities* | January 1, 2022 | Cash flows | Foreign exchange Movement | Others | December 31, 2022 |
|---|---|---|---|---|---|
| Interest payable | ₱4,103,020 | (₱49,424,649) | ₱– | ₱50,805,414 | ₱5,483,785 |
| Short-term borrowings | 368,272,360 | (47,631,444) | – | – | 320,640,916 |
| Current portion of: | | | | | |
| Long-term borrowings | 93,594,418 | (91,277,778) | – | 99,264,537 | 101,581,177 |
| Lease liabilities | 44,694,345 | (36,035,387) | 611,174 | 24,562,347 | 33,832,479 |
| Noncurrent portion of: | | | | | |
| Long-term borrowings | 237,245,215 | – | – | (99,018,662) | 138,226,553 |
| Long-term borrowing with related party | – | – | – | 150,305,719 | 150,305,719 |
| Lease liabilities | 59,326,677 | – | – | (5,529,003) | 53,797,674 |
| Total liabilities from financing activities | ₱807,236,035 | (₱224,369,258) | ₱611,174 | ₱220,390,352 | ₱803,868,303 |

| *Changes in liabilities arising from financing activities* | January 1, 2021 | Cash flows | Foreign exchange movement | Others | December 31, 2021 |
|---|---|---|---|---|---|
| Interest payable | ₱1,949,459 | (₱45,290,829) | ₱– | ₱47,444,390 | ₱4,103,020 |
| Short-term borrowings | 337,670,400 | 30,601,960 | – | – | 368,272,360 |
| Current portion of: | | | | | |
| Long-term borrowings | 86,206,323 | (103,348,015) | – | 110,736,110 | 93,594,418 |
| Lease liabilities | 81,714,303 | (65,870,419) | 652,991 | 28,197,470 | 44,694,345 |
| Noncurrent portion of: | | | | | |
| Long-term borrowings | 277,583,508 | 70,000,000 | – | (110,338,293) | 237,245,215 |
| Lease liabilities | 87,524,147 | – | – | (28,197,470) | 59,326,677 |
| Total liabilities from financing activities | ₱872,648,140 | (₱113,907,303) | ₱652,991 | ₱47,842,207 | ₱807,236,035 |

Others include the effect of reclassification of non-current portion of long-term borrowings, effect of accrued but not yet paid interest, additions to lease liabilities and amortization of deferred transaction costs.

## 31. Supplementary Information Required Under Revenue Regulations (RR) 15-2010

On November 25, 2010, the BIR issued RR 15-2010 which amends certain provisions of RR 21-2002 prescribing the manner of compliance with any documentary and/or procedural requirements in connection with the preparation and submission of financial statements accompanying the tax returns. It requires the disclosures of taxes, duties and licenses paid or accrued during the taxable year. In compliance with the requirements set forth by RR 15-2010 hereunder are the information on taxes, duties and licenses paid or accrued during the taxable year.

VAT

The National Internal Revenue Code of 1997 provides for the imposition of VAT on sales of goods and services. Accordingly, the Company's sales are subject to output VAT while its importations and purchases from other VAT-registered individuals or corporations are subject to input VAT. R.A. No. 9337 increased the VAT rate from 10.0% to 12.0%, effective February 1, 2006.

The Company is a VAT-registered company with output VAT declaration for the year ended December 31, 2023 as follows:

| | Net sales/ receipts | Output VAT |
|---|---|---|
| Taxable sales | ₱3,384,874,586 | ₱406,184,950 |
| Zero-rated sales/receipts | 73,486,537 | – |
| Exempt sales | – | – |
| | ₱3,458,361,123 | ₱406,184,950 |

The Company's sales that are subjected to VAT are reported under "Freight Revenue" and "Rental and Miscellaneous Income".

The Company's output VAT are based on actual collections received, hence may not be the same as amounts accrued in the statement of income.

The movement in input VAT during the year is summarized below:

| | |
|---|---|
| Balance at January 1 | ₱3,933,480 |
| Current year's purchases: | |
| Services lodged under direct costs | 306,884,974 |
| Capital goods subject to amortization | 726,710 |
| Capital goods not subject to amortization | – |
| From importation | 4,348,965 |
| | 315,894,129 |
| Claims for tax credit/refund and other adjustments | 75,426,620 |
| Input tax application against output VAT | (315,232,181) |
| Balance at December 31 | ₱76,088,568 |

Importations
The landed cost of the Company's importations amounted to ₱36,241,263 for the year.

Documentary Stamp Taxes
The documentary stamp taxes paid/accrued during the year on the bill of lading, bank loans and leases amounted to ₱1,522,320, ₱2,536,196, and ₱124,440, respectively.

Other Taxes and Licenses:

Details of other taxes and licenses for the year ended December 31, 2023 follows:

| | |
|---|---|
| Documentary stamp taxes | ₱2,784,743 |
| License and permit fees | 613,180 |
| Custom duties | 637,538 |
| Real property tax | 2,596,670 |
| Fringe benefits | 1,359,412 |
| Others | 10,478,085 |
| | ₱18,469,628 |

Withholding Taxes
Details of withholding taxes for the year ended December 31, 2023 follows:

| | |
|---|---|
| Expanded withholding taxes | ₱53,633,178 |
| Tax on compensation and benefits | 10,212,647 |
| Final withholding taxes | 2,343,104 |
| | ₱66,188,929 |

2008 Tax Assessment
The Company has a tax case with the Court of Tax Appeals (CTA) for the deficiency taxes for the year 2008 amounting to ₱2.01 billion, inclusive of penalties, interest and surcharges. On October 17, 2014, the Respondent in the said case (BIR) filed a Motion to Dismiss (MTD), which motion has been denied by the CTA as per Resolution dated March 5, 2015.

On June 28, 2018, the CTA 3rd Division issued a Decision favorable to the Company thereby cancelling and declaring the ₱2.01 billion assessment as null and void. As anticipated, the Commissioner of Internal Revenue (CIR) filed a Motion for Reconsideration which, however, was later on denied by the CTA 3rd Division on October 29, 2018. From this adverse Resolution, the CIR accordingly filed a Petition for Review with the CTA En Banc on November 27, 2018. The Company filed its Comments/Opposition to the BIR's Petition for review last February 8, 2019.

On February 3, 2020, the CTA EB No. 1964 was submitted for resolution/decision of the CTA en banc. On January 26, 2021, the CTA En Banc promulgated its decision denying the Petition for Review filed by the BIR. Subsequently, the BIR, on March 10, 2021, filed a Motion for Reconsideration of the CTA En Banc's decision. Hence, as at April 13, 2021, CTA EB No. 1964 is still pending with the CTA En Banc.

On January 26, 2021, the CTA en banc promulgated its decision denying the Petition for Review filed by the BIR. Subsequently, the BIR, on March 10, 2021, filed a Motion for Reconsideration of the CTA en banc's decision.

On October 8, 2021, the CTA en banc denied the BIR's motion for reconsideration for lack of merit.

On March 21, 2022, the Supreme Court (SC) issued a Notice of Resolution granting BIR's Motion for Extension to File Petition for Review.

On October 20, 2023, the Supreme Court (SC) issued a Notice of Resolution that the BIR has failed to file the intended petition for review on certiorari within a period granted in the Resolution dated March 21, 2022 which expired on December 6, 2021. And the Court Resolved to declare the case closed and terminated.

2017 Tax Assessment
On October 18, 2023, the Company settled deficiency taxes on income tax amounting to ₱10,302,050, inclusive of penalties.

On November 6, 2023, the Company settled deficiency taxes on income tax amounting to ₱9,718,299, inclusive of penalties.

2018 Tax Assessment
On February 28, 2024, the Company settled deficiency taxes on withholding tax on compensation, expanded withholding tax and miscellaneous taxes amounting to ₱1,019,325, inclusive of penalties. This was recorded as accrual as at December 31, 2023.

2020 Tax Assessment
On May 29, 2023, the Company settled deficiency taxes on VAT amounting to ₱ 2,506,807, inclusive of penalties.

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

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Fax: (632) 8819 0872
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**INDEPENDENT AUDITOR'S REPORT**
**ON SUPPLEMENTARY SCHEDULES**

The Board of Directors and Stockholders
Lorenzo Shipping Corporation
20th Floor Times Plaza Building
United Nations Avenue, Ermita, Manila

We have audited in accordance with Philippine Standards on Auditing, the financial statements of Lorenzo Shipping Corporation (the Company) as at December 31, 2023 and 2022, and for each of the three years in the period ended December 31, 2023, and have issued our report thereon dated April 8, 2024. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the financial information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

[redacted]

Peter John R. Ventura
Partner
CPA Certificate No. [redacted]
Tax Identification No. [redacted]
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
BIR Accreditation No. 08-001998-140-2021, November 10, 2021, valid until November 9, 2024
PTR No. 10082030, January 6, 2024, Makati City

April 8, 2024

SyCip Gorres Velayo & Co.
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Philippines

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**INDEPENDENT AUDITOR'S REPORT**
**ON SUPPLEMENTARY INFORMATION**

The Board of Directors and Stockholders
Lorenzo Shipping Corporation
20th Floor Times Plaza Building
United Nations Avenue, Ermita, Manila

We have audited in accordance with Philippine Standards on Auditing, the financial statements of Lorenzo Shipping Corporation (the Company) as at December 31, 2023 and 2022, and for each of the three years in the period ended December 31, 2023, and have issued our report thereon dated April 8, 2024. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information contained in the attached statements of financial position as of December 31, 2023 and 2022 and statements of income for each of the three years in the period ended December 31, 2023 of the vessel operations of the Company in this Annual Report is presented for the purpose of additional analysis and is not a required part of the basic financial statements but is supplementary information as set forth in this Annual Report required by Section 17 (h) of Commonwealth Act No. 146 as amended. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

[redacted]

Peter John R. Ventura
Partner
CPA Certificate No. [redacted]
Tax Identification No. [redacted]
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
BIR Accreditation No. 08-001998-140-2021, November 10, 2021, valid until November 9, 2024
PTR No. 10082030, January 6, 2024, Makati City

April 8, 2024

SyCip Gorres Velayo & Co.
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1226 Makati City
Philippines

Tel: (632) 8891 0307
Fax: (632) 8819 0872
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**INDEPENDENT AUDITOR'S REPORT ON**
**COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS**

The Board of Directors and Stockholders
Lorenzo Shipping Corporation
20th Floor Times Plaza Building
United Nations Avenue
Ermita, Manila

We have audited in accordance with Philippine Standards on Auditing, the financial statements of Lorenzo Shipping Corporation (the Company) as at December 31, 2023 and 2022 and for each of the three years in the period ended December 31, 2023, and have issued our report thereon dated April 8, 2024. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Company's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRSs. The components of these financial soundness indicators have been traced to the Company's financial statements as at December 31, 2023 and 2022 and for each of the three years in the period ended December 31, 2023 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

[redacted]
Peter John R. Ventura
Partner
CPA Certificate No. [redacted]
Tax Identification No. [redacted]
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
BIR Accreditation No. 08-001998-140-2021, November 10, 2021, valid until November 9, 2024
PTR No. 10082030, January 6, 2024, Makati City

April 8, 2024

## LORENZO SHIPPING CORPORATION
## INDEX TO THE SUPPLEMENTARY SCHEDULES

# SCHEDULE I
## RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
## As at December 31, 2023

## LORENZO SHIPPING CORPORATION
**20th Floor Times Plaza Building, United Nations Avenue, Ermita Manila**

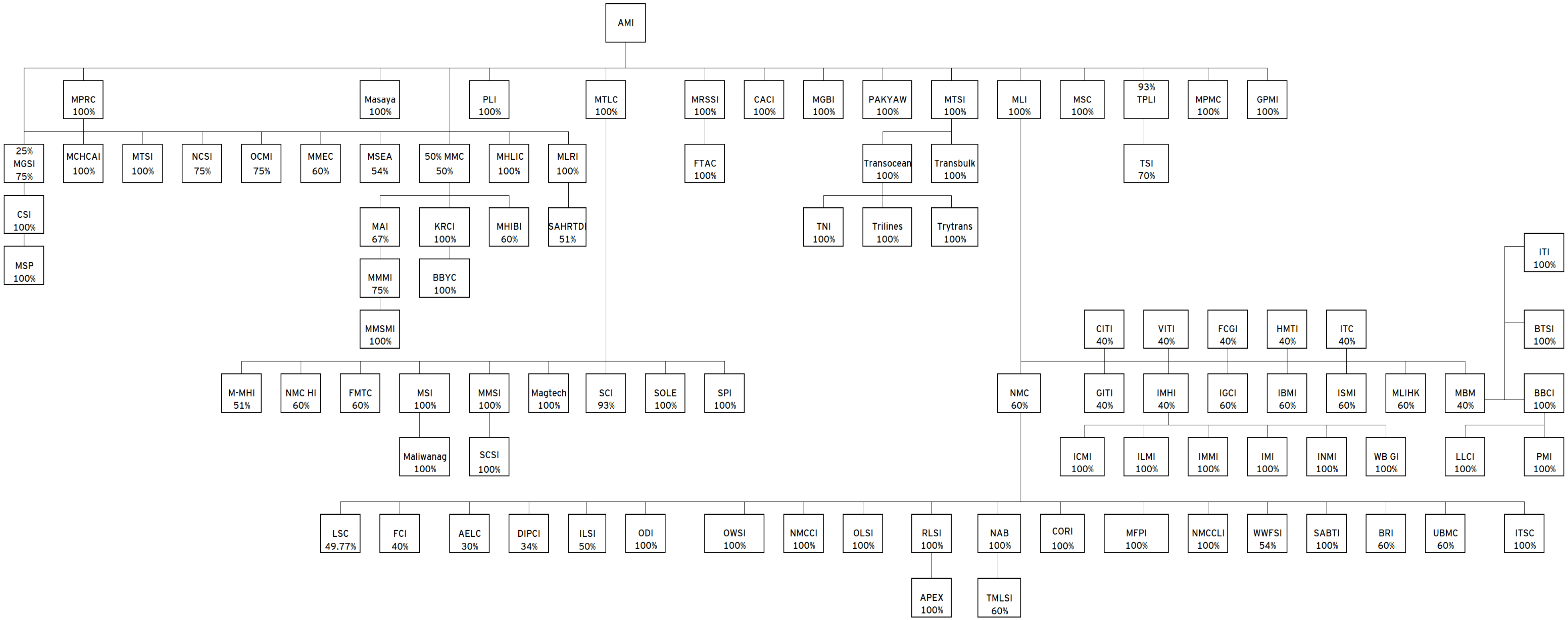
| | | |
|---|---|---|
| **Unappropriated Retained Earnings, beginning of reporting period** | | **(₱688,094,969)** |
| **Add: Net income for the current year** | | **₱95,786,355** |
| **Add: Category D: Non-actual losses recognized in profit or loss during the reporting period (net of tax)** | | |
| Unrealized foreign exchange loss, except those attributable to cash | | **607,382** |
| **Less: Category F: Other items should be excluded from the determination of the amount available for dividends distribution** | | |
| Net movement of deferred tax asset not considered in the reconciling items under the previous categories | 26,987,251 | |
| Net movement in deferred tax asset and deferred tax liabilities related to same transaction, e.g. set up of right of use asset and lease liabilities | 3,943,546 | |
| Subtotal | | **30,930,797** |
| **Total Retained Earnings, end of the reporting period available for dividend** | | **(₱622,632,029)** |

# SCHEDULE II

## MAP SHOWING THE RELATIONSHIPS BETWEEN AND AMONG THE COMPANY AND ITS ULTIMATE PARENT COMPANY, MIDDLE PARENT, SUBSIDIARIES OR CO-SUBSIDIARIES, ASSOCIATES, WHEREVER LOCATED OR REGISTERED

## PURSUANT TO REVISED SRC RULE 68

## DECEMBER 31, 2023



| Abbreviation | Company Name |
|---|---|
| AMI | A. Magsaysay, Inc. |
| MASAYA | Masaya Realty Company, Inc. |
| PLI | Peoplelink, Incorporated |
| MRSSI | Magsaysay Resources and Support Services, Inc. |
| FTAC | Fairex Trading Asia Corporation |
| CACI | CreativesAsia Company, Inc. |
| MGBI | Magsaysay Global BPO, Inc. |
| PAKYAW | Pakyaw.Com, Inc. |
| MSC | Magsaysay Shipping Corporation |
| MPMC | Magsaysay Property Management Corporation |
| GPMI | Global Process Manager, Inc. |
| TPLI | TravelPeople Ltd, Inc. |
| TSI | TravelServices, Inc. |
| MLIHK | Magsaysay Lines, Inc. - Hong Kong |
| MPRC | Magsaysay People Resources Corp. |
| MGSI | Magsaysay Global Services, Inc. |
| CSI | Careline Services, Inc. |
| MSP | Medical Staffing Pro |
| MCHCAI | Magsaysay Center of Hospitality and Culinary Arts Inc. |
| NCSI | Navia Crewing Services, Inc. |
| MSEA | Magsaysay Seacor, Inc. |
| MHLIC | Magsaysay Human Language Institute Corp |
| MLRI | Magsayay Learning Reasources, Inc. |
| SAHRTDI | Star of Asia Human Resource Training and Development, Inc. |
| MMC | Magsaysay Maritime Corporation |
| MAI | Magsaysay Agencies, Inc. |
| MMMI | Magsaysay MOL Marine, Inc. |
| MMSMI | Magsaysay MOL Ship Management, Inc. |
| KRCI | Kaligayahan Realty Co., Inc. |
| BBYC | Boracay Beach and Yatch Club, Inc. |
| MHIBI | Magsaysay Houlder Insurance Brokers, Inc. |
| MLI | Magsaysay Lines, Inc. |
| MTSI | Magsaysay Trade and Shipping, Inc. |
| TRANSOCEAN | Transocean Transport Corporation |
| TRANSBULK | Transbulk Shipping Corp |
| TNI | Transportes Navieros, Inc |
| TRILINES | Trilines Shipping, Inc. |
| TRYTRANS | Trytrans Shipping Corporation |
| IGCI | Isla Gas Carriers Inc. |
| IBMI | Isla Bohol Maritime Inc. |
| ISMI | Isla Samar Maritime Inc. |
| NMC | National Marine Corporation |
| LSC | Lorenzo Shipping Corporation |
| FCI | Fastcranes, Inc. |
| AELC | Asiaport Equipment and Logistics Corporation |
| DIPCI | Dapitan Integrated Port Complex, Incorporated |
| ILSI | Icebox Logistics Services, Inc. |
| ODI | One Stop Distribution, Inc. |
| OWSI | One Stop Warehousing Solutions, Inc. |
| NMC CI | NMC Chartering Co., Inc. |
| OLSI | One Stop Logistics Solutions, Inc. |
| RLSI | Road Link Solutions, Inc. |
| CORI | Clean Oil Resources, Inc. |

| Abbreviation | Company Name |
|---|---|
| MFPI | Marine Fuels Philippines, Inc. |
| NMC CLI | NMC Container Lines, Inc. |
| WWFSI | World Wide Food Supply, Inc. |
| SABTI | Southeast Asian Bunkers and Terminals, Inc. |
| ITSC | Islas Tankers Seatransport Corporation |
| NAB | NMC Ship Agency and Brokerage, Inc. |
| BRI | Bestenergy Resources, Inc. |
| UBMC | Union Bulk Maritime Corporation |
| APEX | Apex Equipment Corporation |
| TMLSI | T.M Logistics Solutions, Inc. |
| MTLC | Magsaysay Transport and Logistics Corp. |
| NMC HI | NMC Holdings, Inc. |
| FMTC | Filipinas Maritime Transport Corporation |
| MSI | Magsaysay Shipmanagement, Inc. |
| MMSI | Magsaysay Marine Services, Inc. |
| MALIWANAG | Maliwanag Realty Company, Inc. |
| SCSI | SC Ship Services, Inc. |
| MAGTECH | Magtech Solutions and Marine Consultancy Services, Inc. |
| SCI | Sun Cruises, Inc. |
| SOLE | Sole Cruises, Inc, |
| SPI | Storage Philippines, Inc. |
| MBM | MBM Maritime Holdings, Inc. |
| BBCI | Batangas Bay Carriers, Inc. |
| LLCI | Laguna Lake Carriers, Inc. |
| PMI | Paros Maritime, Inc. |
| IMHI | Islas Maritime Holdings, Inc. |
| BTSI | Batangas Trader Shipping, Inc. |
| ITI | Isla Tankers, Inc. |
| CITI | Cuyo Island Tankers, Inc. |
| FGCI | Filipinas Gas Carriers, Inc. |
| GITI | Guimaras Island Tankers, Inc. |
| HMTI | Harvest Moon Tankers, Inc. |
| ICMI | Isla Cebul Maritime Inc. |
| ILMI | Isla Luzon Maritime Inc. |
| IMMI | Isla Mindanao Maritime Inc. |
| IMI | Isla Mindoro Maritime Inc. |
| INMI | Isla Negros Maritime Inc. |
| ITC | Isla Tankers Shipping Copr. |
| WB GI | WB Gas, Inc. |
| VITI | Verde Island Tankers, Inc. |
| OCMI | Orione Crewing Management, Inc. |
| MMEC | MM Empower Corp. |
| M-MHI | Magsaysay-Mlg Holdings, Inc. |

# SCHEDULE III
# LORENZO SHIPPING CORPORATION
# SCHEDULE A
# FINANCIAL ASSETS
# December 31, 2023

| Name of issuing entity and association of each issue | Number of shares or principal amount of bonds and notes | Amount shown in the statement of financial position | Income received and accrued |
|---|---|---|---|
| Cash and cash equivalents: | ₱– | ₱99,128,666 | ₱91,621 |
| Trade and other receivables: | – | | – |
| Trade | – | 564,024,184 | – |
| Non-trade | – | 20,904,133 | – |
| Insurance claims | – | – | – |
| Receivables from officers and employees | – | 3,487,903 | – |
| Other receivables | – | 38,176,501 | – |
| Deposit included in “Other noncurrent assets” | – | 16,477,051 | – |
| **Total** | **₱–** | **₱742,198,438** | **₱91,621** |

**LORENZO SHIPPING CORPORATION**
**SCHEDULE B**
**AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)**
**December 31, 2023**

| Name and Designation of debtor | Balance at beginning of period | Additions | Amounts collected | Amounts written off | Current | Not Current | Balance at end of period |
|---|---|---|---|---|---|---|---|

**NOT APPLICABLE**

**LORENZO SHIPPING CORPORATION**
**SCHEDULE C**
**AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING CONSOLIDATION**
**December 31, 2023**

| Name and Designation of Debtor | Balance at beginning of period | Additions | Amounts collected | Amounts written off | Current | Not Current | Balance at end of period |
|---|---|---|---|---|---|---|---|

**NOT APPLICABLE**

**LORENZO SHIPPING CORPORATION**
**SCHEDULE D**
**INTANGIBLE ASSETS - OTHER ASSETS**
**December 31, 2023**

| Description | Beginning balance | Additions at Cost | Charged to cost and expenses | Charged to other accounts | Other changes additions (deductions) | Ending balance |
|---|---|---|---|---|---|---|
| Computer software | ₱3,956,598 | ₱– | (₱895,833) | ₱– | ₱– | ₱3,060,765 |

# LORENZO SHIPPING CORPORATION
# SCHEDULE E
# LONG TERM DEBT
# December 31, 2023

| Title of Issue and type of obligation | Amount authorized by indenture | Amount shown under caption "Current portion of long-term debt" | Amount shown caption "Long-term Debt" | Notes |
|---|---|---|---|---|
| China Banking Corporation | ₱200,000,000 | ₱22,222,222 | ₱– | Balance of loan obtained from CBC of ₱200.00 million, maturing on October 22, 2024 and payable quarterly in 36 equal quarterly installments starting January 22, 2016. Annual interest rate is equal to BVAL rate plus 1.25% inclusive of Gross Receipts Tax rate (GRT) and Bangko Sentral ng Pilipinas (BSP) overnight borrowing rate plus spread of 0.125% inclusive of GRT whichever is higher, subject to quarterly repricing. |
| China Banking Corporation | 200,000,000 | 22,222,222 | 16,666,667 | Balance of loan obtained from China Banking Corporation (CBC) of ₱200.00 million, availed of last September 9, 2015 and will mature on September 9, 2025. The loan is payable quarterly in 36 equal quarterly installments starting December 9, 2016. Annual interest rate is equal to 90-day BVAL rate plus 1.25% inclusive of GRT and BSP overnight borrowing rate plus spread of 0.125% inclusive of GRT whichever is higher, subject to quarterly repricing. |

*Forward*

| Title of Issue and type of obligation | Amount authorized by indenture | Amount shown under caption "Current portion of long-term debt" | Amount shown caption "Long-term Debt" | Notes |
|---|---|---|---|---|
| Rizal Commercial Banking Corporation | 137,000,000 | 22,833,333 | 55,180,557 | Balance of loan obtained from RCBC of ₱137.00 million, availed last May 6, 2020 and will mature on May 6, 2027. The loan is payable monthly in 72 equal monthly installments starting May 6, 2021. Annual interest rate is equal to the BVAL plus 2.5% spread. |
| **Total** | **₱537,000,000** | **₱67,277,777** | **₱71,847,224** | |

**LORENZO SHIPPING CORPORATION**
**SCHEDULE F**
**INDEBTEDNESS TO RELATED PARTIES (LONG - TERM LOANS FROM RELATED COMPANIES)**
**December 31, 2023**

| Name of the Related Party | Balance at beginning of period | Balance at end of period |
|---|---|---|
| Marine Fuel Philippines, Inc. | ₱150,305,719 | ₱200,410,450 |

**LORENZO SHIPPING CORPORATION**
**SCHEDULE G**
**GUARANTEES OF SECURITIES OF OTHER ISSUERS**
**December 31, 2023**

| Name of the issuing entity of securities guaranteed by the company for which the statement is filed | Title of issue of each class of securities guaranteed | Total amount guaranteed and outstanding | Amount owned by person for which statement is lifted | Nature of guarantee |
|---|---|---|---|---|

**NOT APPLICABLE**

# LORENZO SHIPPING CORPORATION
# SCHEDULE H
# CAPITAL STOCK
# December 31, 2023

| Title of issue | Number of shares authorized | Number of shares issued and outstanding and shown under related balance sheet caption | Number of shares reserved for options, warrants, conversion and other rights | No of shares held by | | | Treasury Shares |
|---|---|---|---|---|---|---|---|
| | | | | Affiliates | Directors, Officers and Employees | Others | |
| Common shares | **991,183,999** | **555,652,251** | **–** | **452,982,361** | **248,002** | **101,411,888** | **1,010,000** |

**LORENZO SHIPPING CORPORATION**
**SCHEDULE SHOWING FINANCIAL SOUNDNESS**
**PURSUANT TO REVISED SRC RULE 68**
**DECEMBER 31, 2023, 2022 and 2021**

| Ratio | Formula | 2023 | 2022 | 2021 |
|---|---|---|---|---|
| Current/Liquidity ratios: | | | | |
| Current ratio | Current assets divided by current liabilities | **0.49** | 0.49 | 0.52 |
| Quick ratio | Cash and cash equivalents plus trade and other receivables plus contract assets divided by current liabilities | **0.36** | 0.39 | 0.46 |
| Solvency ratios and debt to equity ratio: | | | | |
| Debt-to-equity ratio | Total debt divided by total equity | **5.63** | 6.68 | 7.47 |
| Solvency ratio | Total assets divided by total debt | **1.18** | 1.15 | 1.13 |
| Financial leverage ratios: | | | | |
| Asset-to-equity ratio | Total asset divided by total equity | **6.63** | 7.68 | 8.47 |
| Interest rate coverage ratio | Earnings before interests and taxes divided by total interest expense | **2.56** | -1.39 | 0.91 |
| Profitability ratios: | | | | |
| Return on assets | Net income (loss) divided by total asset | **3.10%** | 0.63% | -2.96% |
| Return on equity | Net income (loss) divided by total equity | **20.53%** | 4.88% | -25.11% |
| Net profit margin | Net income (loss) divided by total revenue | **2.92%** | 0.56% | -2.95% |

LORENZO
SHIPPING CORPORATION

## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of *Lorenzo Shipping Corporation* (the Company) is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2023 and 2022 in accordance with the prescribed financial reporting framework, and for such internal controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Sycip Gorres Velayo & Co., the independent auditor appointed by the stockholders has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

[redacted]

**DORIS TERESA M. HO**
Chairman of the Board

[redacted]

**REYNOLD JOHN B. MADAMBA**
President

[redacted]

**AMELITA M. INTALAN**
Chief Financial Officer

Signed this __________ day of ________

SUBSCRIBED AND SWORN TO
BEFORE ME THIS [redacted] PR 0 8 2024
MANILA, PHILIPPINES

DOC. NO. 201
PAGE NO. 41
BOOK NO. 9
SERIES OF 2024

ATTY. PETER ANTHONY T. MALLARI
Notary Public until December 31, 2024
Notarial Commission # 2023-210
1155 Gen. Luna St., Ermita Manila
IBP # 317318, Roll# 77587 TIN: 133-031-552
PTR# 1527774 / 1-02-2024 Mla. 1-3-2024
MCLE VIII# 0002695

A member of MSI

LORENZO SHIPPING CORPORATION
20th Floor, Times Plaza Building,
United Nations Avenue corner Taft Avenue,
Ermita, Manila (1000) Philippines
Tel. (632) 527 5555
Fax (632) 527 1717
www.msl.com.ph

## Leizel L. Antoni

**From:** eafs@bir.gov.ph
**Sent:** Monday, 15 April 2024 2:03 pm
**To:** Leizel L. Antoni
**Cc:** Richelle R. Pambid
**Subject:** Your BIR AFS eSubmission uploads were received

**[CAUTION - EXTERNAL EMAIL]** This email originated from outside of the organization. Do not click links or open attachments unless you recognize the sender and know the content is safe.

Hi LORENZO SHIPPING CORPORATION,

**Valid files**

- EAFS000628958RPTTY122023.pdf
- EAFS000628958OTHTY122023.pdf
- EAFS000628958AFSTY122023.pdf
- EAFS000628958TCRTY122023-01.pdf
- EAFS000628958ITRTY122023.pdf

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Transaction Code: **AFS-0-3T3WMS4Y0P1YMVN2MPZMPPQMW0QMRN4PMW**
Submission Date/Time: **Apr 15, 2024 02:03 PM**
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# Exhibit B

**SUSTAINABILITY REPORT**
**Reporting Period: 1 January 2023 – 31 December 2023**

| COMPANY DETAILS | |
|---|---|
| Lorenzo Shipping Corporation (LSC) is a Philippine based publicly listed corporation which provides containerized shipping services. It operates eight (8) vessels that call ten (10) major ports in the country.<br><br>LSC has evolved from being a provider of port-to-port and door-to-door services for full container load (FCL) and less-than container load (LCL) shipments into a solutions provider company capitalizing on the logistics strengths of its affiliates. It prides itself as highly responsive, innovative, customer and safety-focused organization which makes it as the most preferred domestic shipping company.<br><br>Our customers trust us because of our wide reach, high-capacity ships, frequency, and friendly yes-we-can service.<br><br>LSC's passion for excellence and digital transformation initiatives will ensure that we deliver the products of our customers safe and on time, all the time. | |
| Name of the Organization | LORENZO SHIPPING CORPORATION |
| Location of Office | 20th Floor, Times Plaza Building, UN Avenue corner Taft Avenue, Ermita, Manila, Philippines |
| Location of Operations | Manila, Cebu, Iloilo, Cagayan de Oro, Davao, General Santos, Cotabato, Bacolod, Dumaguete, Zamboanga |
| Highest Ranking Person Responsible for this Report | Reynold John B. Madamba – President<br>Ruby Mae F. Reyes – Compliance Officer |

## MESSAGE FROM THE PRESIDENT

RJ Madamba
President and COO

Warmest greetings to each of you as I present Lorenzo Shipping Corporation's Sustainability Report 2023!

Throughout the first half of 2023, there was a notable increase in domestic consumption and a surge in transportation needs for consumer goods, resulting to a rise in cargo volume and elevated freight revenue.

However, the latter part of the year saw a slowdown in demand due to successive increases in global and domestic interest rates as well as Consumer Price Index. Filipino consumers became more cautious with their spending habits. Despite this challenge, our company persevered and achieved a record-high annual net income, marking a significant milestone in at least eight years.

Having recovered from the previous year's setbacks, LSC is now operating profitably again. This success is attributed to the collaborative efforts of our land-based and sea-based teams, providers, partners, affiliates, management, and the Board. I am confident that with our strong foundation, we will continue to improve and build upon this achievement.

Our company values, including excellence, integrity, enthusiasm, accountability, innovation, WE CARE, resilience, and dynamism, remain steadfast. Guided by an entrepreneurial spirit and a commitment to integrity, we are dedicated to serving our clients and communities by providing vital shipping services and facilitating the movement of goods from source to customers.

Sustainability is a core commitment for us, integrating economic, environmental, and social factors into our daily operations. This report demonstrates our unwavering dedication to contributing positively to society and our habitat.

Looking ahead, sustainability is crucial to safeguarding the interests of our stakeholders: shareholders, customers, suppliers, employees, their families, and our planet.

LORENZO SHIPPING CORPORATION

**THE BOARD OF DIRECTORS:**

Ms. Doris Teresa Magsaysay-Ho – Chairman
Mr. Antony Louis L. Marden – Vice Chairman
Mr. Reynold John B. Madamba – President and Chief Operating Officer
Mr. Michael L. Escaler – Director
Mr. Deogracias N. Vistan – Lead Independent Director
Mr. Rene J. Buenaventura – Independent Director
Mr. Virgilio L. Peña – Independent Director

**THE EXECUTIVE COMMITTEE:**

Ms. Doris Teresa Magsaysay-Ho – Chairperson
Mr. Antony Louis L. Marden – Member
Mr. Reynold John B. Madamba – Member

**THE AUDIT COMMITTEE:**

Mr. Deogracias N. Vistan – Chairperson
Mr. Antony Louis L. Marden – Member
Mr. Michael L. Escaler – Member
Mr. Rene J. Buenaventura – Member
Mr. Virgilio L. Peña – Member

**THE CORPORATE GOVERNANCE COMMITTEE AND RISK OVERSIGHT COMMITTEE:**

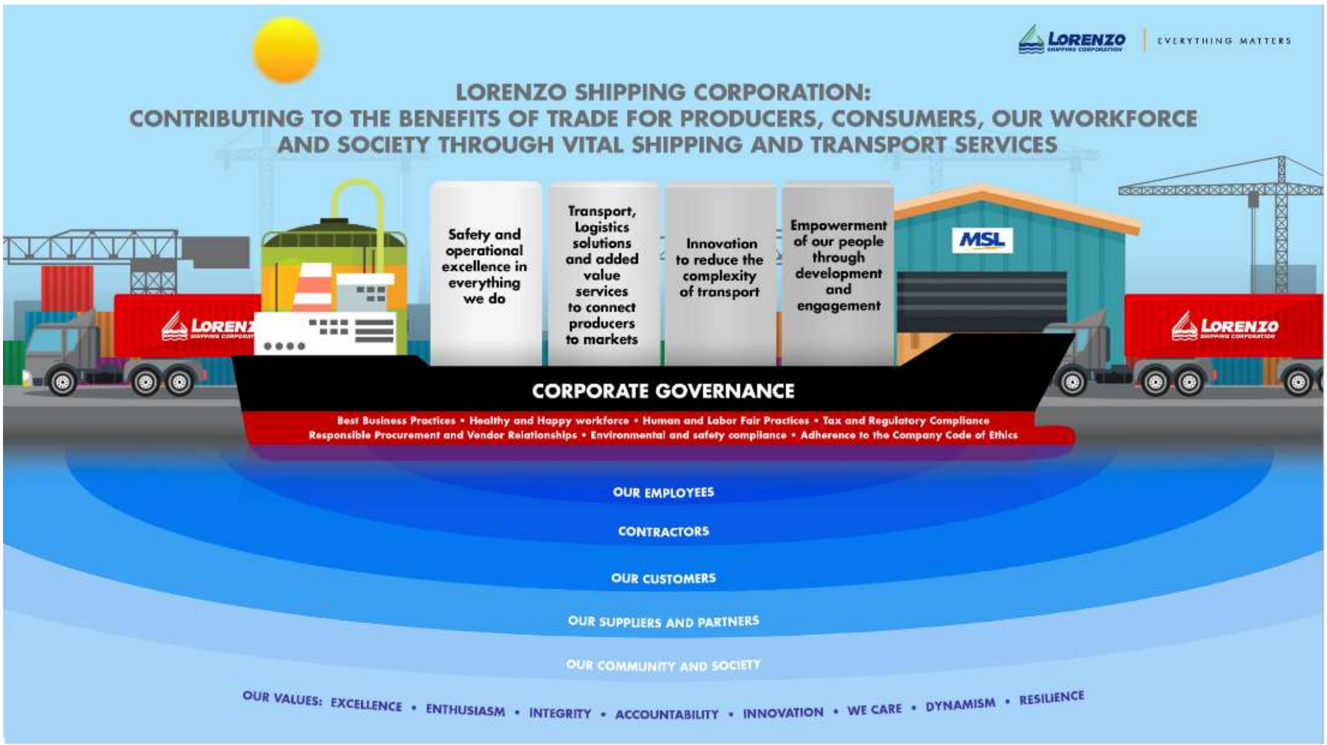
Mr. Rene J. Buenaventura – Chairperson
Mr. Deogracias N. Vistan – Member
Mr. Virgilio L. Peña – Member
Mr. Antony Louis L. Marden – Adviser
Mr. Michael L. Escaler – Adviser

**THE RELATED PARTY TRANSACTIONS (RPT) COMMITTEE:**

Mr. Virgilio L. Peña – Chairperson
Mr. Antony Louis L. Marden – Member
Mr. Deogracias N. Vistan – Member
Mr. Rene J. Buenaventura – Member

LORENZO SHIPPING CORPORATION

## OUR BUSINESS AND SUSTAINABILITY STRATEGY




| | |
|---|---|
| **OUR PURPOSE** | Contributing to the benefits of trade for producers, consumers, our workforce and society through vital shipping and transport services. |

| | |
|---|---|
| **OUR VISION** | To be the preferred shipping and transport partner offering competitive, reliable, quality and safe services. |

| | | | | |
|---|---|---|---|---|
| **OUR STRATEGIES** | Safety and operational excellence in everything we do | Transport solutions and added value services to connect producers to markets | Innovation to reduce the complexity of transport | Empowerment of our people through development and engagement |

| | | | | |
|---|---|---|---|---|
| **OUR PRIORITIES** | - Safety Programs<br>- LSR (Life Saving Rules)<br>- Quality Systems | - Empowering MSMEs<br>- Supporting producers' growth and needs<br>- Reducing food waste | - 100% digital connectivity for a great customer journey<br>- Efficient through digitalization and innovation | - Learning and Performance initiatives for the workforce, contractors and suppliers |

| |
|---|
| **CORPORATE GOVERNANCE** |

| OUR BEST BUSINESS PRACTICES | Healthy and Happy Workforce | Human and Labor Fair Practices | Tax and Regulatory Compliance | Responsible Procurement and Vendor Relationships | Environmental and Safety Compliance | Adherence to the Company Code of Ethics |
|---|---|---|---|---|---|---|

| | |
|---|---|
| **OUR COMMUNITY** | OUR EMPLOYEES AND CONTRACTORS |
| | OUR CUSTOMERS |
| | OUR SUPPLIERS AND PARTNERS |
| | OUR COMMUNITIES AND SOCIETY |

| | |
|---|---|
| **OUR VALUES** | Excellence<br>Enthusiasm<br>Integrity<br>Accountability<br>Innovation<br>We Care<br>Dynamism<br>Resilience |

**PURPOSE:** ***Contributing to the Benefits of Trade***

| Goal | Program | Impact |
|---|---|---|
| Job creation and reduction of poverty | Revenue Generating Plans and Cost Rationalization that will keep the company sustainable | Assurance to personnel of continued employment and source of income |
| Inclusion – Procurement from MSMEs | Policy for Procurement from MSMEs when comparable | Total of 89% of awarded transactions are given to MSMEs |
| Inclusion – Procurement from Women Owned Business | Policy for Procurement from women owned businesses when comparable | Total of 12% of awarded transactions are given to women owned businesses |
| Inclusion – Procurement from local producers | Policy for Procurement from local producers when comparable | Total of 96% of awarded transactions were made to local suppliers (Filipino owned companies) |
| Inclusion of the local Community where we work | Policy for Procurement on the engagement of local vendors within the vicinity of the offices or area of operations | Total of 60% supplier engagement/transactions were from the local community where the business offices are located. |

**STRATEGY:** ***Safety and operational excellence in everything we do***

| Priorities | Projects | Metrics | Impact |
|---|---|---|---|
| Safety and operational excellence | - Zero Harm - OSH information campaign<br>- Emergency Response Team - Duties and Responsibilities v Orientation<br>- Safety Starts with Me<br>- Implementation of LSRs (Life-Saving Rules)<br>- I Care Stop Work Policy<br>- Zero Harm - OSH information campaign | - 100% released of materials in accordance to DOH and DOLE Calendar of activities<br>- 100% Attendance<br>- Zero reported LSR violation<br>- Zero reported accident<br>- 80-100% Attendance<br>- 100% released of materials in accordance to DOH and DOLE Calendar of activities | Zero loss time incident/accident |
| Ships Accident Reporting | Strong adherence to SMS standards<br><br>Accident reporting on time | - Zero accidents<br>- Zero off hire<br>- Near Miss Report (per month per vessel), as it happens. | - Zero loss time incident/accident<br><br>No fatality and Lost Time Injury (LTI). |
| Containerized Cargoes | Strict assessment of risks of each type of cargo/commodity | - Zero claims<br>- Zero accidents | Reduction of claims |
| Legal and other Regulatory Compliance - DOLE RA11058 "An Act Strengthening Compliance with Occupational Safety and Health Standards and Providing Penalties for Violations Thereof" | - HR and Occupational Health and Safety Related Projects<br>- Mandatory eight (8) hours of Orientation on Occupational Health and Safety for all Employees.<br>- Mandatory training of OSH Personnel (Safety Officer, First Aider)<br>- Health Policies Orientation (Drug and Alcohol Abuse; Breastfeeding and | - 100% Compliance to DOLE RA11058 | - No suspensions<br>- High Corporate Governance Rating |

| Priorities | Projects | Metrics | Impact |
|---|---|---|---|
| | Lactation Policies; Smoke-free Workplace Policy; Mental Health at the Workplace; Tuberculosis; HIV / AIDS; Hepatitis) | | |
| Hazardous/ DG cargoes | Strict implementation of submission of SDS, accurate declaration of DG Class, proper labeling of container with DG cargo and proper stowage in vessel | All DG cargoes have permits, containers are properly labelled and stowed in the vessel | - Protection of our brand<br>- Zero accident |
| Container Handling Equipment | Strict implementation of scheduled preventive maintenance | - Preventive maintenance reports<br>- Reduced equipment downtime | - No stoppage in operations due to no operational container handling equipment<br>- Zero accidents |
| Trucks | Improve Truckers' Performance | All truckers achieve a passing score on the Quarterly Performance Evaluation | - Truckers achieve their KPIs with LSC<br>- LSC will achieve the KPIs of the customer<br>- Improved Customer Satisfaction Rating |
| Container | Training of site and CY Checkers on the proper inspection of containers | - Zero incidents of rejected containers at customers' warehouse<br>- Reinstatement of container repair limits based on age and ownership | - Reduced claims<br>- Reduced cost of foul trips due to container rejection<br>- Image of brand with well-maintained containers<br>- Lower costs on container repairs |

| Priorities | Projects | Metrics | Impact |
|---|---|---|---|
| People – Crew | - Training and development on the SMS<br>- Quarterly review of SMS<br>- Individual Training and upgrading of programs<br>- Supervise drills onboard | - Attendance of all crew<br><br>Sailing visit by Marine & Technical Superintendents at least once a year in addition to 6- monthly HSES inspections. | - Reduction of number of incidents due to Human Error. (competence / skills / knowledge)<br>- Zero significant delays. |
| People – Checkers | Training and development on cargoes, inspection, stuffing and stripping skills | All Checkers must undergo training or orientation before deployment or at least once a year. | - Reduced claims<br>- Recoveries on cost of container repairs for damages due to customers, Truckers and other 3rd parties |
| People - Truck Drivers | Performance Assessment of Truckers | - Rewards and Recognition for Truckers<br>- Truckers Appreciation Day | - Truckers achieve their KPIs with LSC<br>- LSC will achieve the KPIs of the customer<br>- Improved Customer Satisfaction Rating |

**STRATEGY:** ***Transport solutions and added value services to connect producers to markets***

| Priorities | Projects | Metrics | Impact |
|---|---|---|---|
| Supporting producers growth to scale with transport solutions | Empowering employees how to assess customers goals | Complete minutes of sales calls in a section called "painpoints" and "solutions discussed" | Customized support to customer goals |
| Empowering MSMEs, farmers and entrepreneurs with transport solutions | Door-to-door transport solution from producers to market/end-user | On-time pick and delivery of cargoes from producers to market | Trade volumes of 2% transported through the cold chain |
| Reducing food waste | Cold chain support to consolidate produce in the farmlands | At least 2% of volume per vessel voyage is in reefer container | Trade volumes of 2% transported through the cold chain |

**STRATEGY**: ***Innovation to reduce the complexity of transport***

| Priorities | Projects | Metrics | Impact |
|---|---|---|---|
| 100 percent digital connectivity for a great customer journey | SAIL V2 with Auto-generated reports (E-mail push for Notice of Arrival and Loading Confirmation) | 100% implementation of Liner SAIL interface to internal systems (SAP) and port operator systems (COARRI) | Real-time revenue and expenses booked in SAP from the SAIL interface<br><br>Real-time recording of van movements from the terminal operator. From an average of 2 hours to 30 minutes |
| | | 100% upgrade to SAIL V2 with all customers sent with auto-generated reports | Reduction in total processing time from 4 hours to 1 hour |
| | N4 Integration | 100% implementation of Liner SAIL interface to port operator systems (COARRI) for MNL and CGY | Real-time recording of van movements from the terminal operator. From an average of 2 hours to 30 minutes |
| | SAIL-SAP Interface | 100% implementation of Liner SAIL interface to internal systems (SAP) | Real-time revenue and expenses booked in SAP |
| Customer Journey | LSC E-Services (allow customers to track their shipments and sailing details online) | 100% implementation of LSC E-Services | - Less booking errors and reduced booking time<br>- Real-time tracking of shipments |
| | Real-Time Posting of Customer Payments for Credit and Collection | 100% posted once received from customers | Updated AR report |
| Customer Feedback | Recording of customer complaints/feedback and satisfaction in a register | Complaints response within the same half-day | Automated recording, close-out, and monitoring of the historical nature of customer feedback |

LORENZO SHIPPING CORPORATION

| Priorities | Projects | Metrics | Impact |
| --- | --- | --- | --- |
| | | 100% implementation of an in-house Customer Survey/ Feedback system connected to the CAR system | |
| | | Customer Satisfaction Measurement Rating of 4.0 (Highly Satisfied) | LSC got an overall rating of 4 for 2023. |
| Digital Innovation to shorten service delivery to collection cycle | Interface of SAIL with Billing portal | 100% implementation of the interface | Seamless invoicing to collection cycle as information in the portal is available. |

**STRATEGY:** ***Empowerment of our people through development and engagement***

| Priorities | Projects | Metrics | Impact |
| --- | --- | --- | --- |
| Succession Planning & Leadership Development | - NextGen Leadership Program | - Attrition/Retention rate of high-performing employees<br>- Attrition/Retention rate of high potential employees<br>- Bench strength – # or % of critical positions with ready successor | - Business / operational continuity<br>- Employee Retention<br>- Employee productivity<br>- Employee Satisfaction<br>- Enhance leadership capabilities of Management<br>- Transition from boss to manager |
| Performance Management | - HR Infrastructure Improvements (Monitoring and Benchmarking)<br>- PMS (Performance Management System) Workshop<br>- PAF Simplification | - % on time submission of PAF<br>- % accuracy of PAF aligned with AOP<br>- % of individual learning plans developed | - Produce performance assessments that are tailored to business goals and role requirements |

| Priorities | Projects | Metrics | Impact |
|---|---|---|---|
| | | - % of training provided | - Create structured ILPs for employee development<br>- Provision of right trainings for identified competency gaps |
| LSC Team Building Sessions | - South Mindanao (Davao, GenSan, Cotabato)<br>- Iloilo and Bacolod<br>- Cebu | - Attendance Rate<br>- Program Satisfaction Rate<br>- Post Program Competency Assessment | - Build stronger relationships, leading to improved collaboration<br>- Create a positive and supportive work environment where team members feel valued, appreciated, and connected.<br>- Encourages diversity of thoughts and foster a culture of innovation and creativity. |

**BEST BUSINESS PRACTICES:** ***Healthy and Happy Workforce***

| Priorities | Projects | Metrics | Impact |
|---|---|---|---|
| Employee Engagement | - Minor Events (Trivia Night, Executive Feud)<br>- Major Events (Year-End Party / 75th Anniversary)<br>- A2E Programs (Employee Features, New Hire Announcements)<br>- "We Appreci8" Recognition Program | - Attendance Rate<br>- Program Satisfaction Rate<br>- Post Program Competency Assessment | - Foster a positive work culture, strengthening team cohesion, and enhancing overall employee satisfaction, leading to improved retention rates and productivity within the organization. |

| Priorities | Projects | Metrics | Impact |
|---|---|---|---|
| HR Infrastructure Improvements | - Digitized Orientation<br>- Digital HR FAQs Portal (Ask MyHR)<br>- HRBP SLA Monitoring Tool & Dashboard<br>- Learning & Development SLA Monitoring Tool & Dashboard<br>- Competency Assessment Forms<br>- BRYQ Assessment Implementation | - % of new hire retention/ regularization<br>- % of employee attrition<br>- HRBP SLA Compliance<br>- L&OD SLA Compliance<br>- Hiring Conversion Rate0 | - Streamline processes, enhance service levels, facilitate informed decision-making, empower employees, and drive organizational effectiveness.<br>- HR functions become more efficient, and strategic, ultimately contributing to employee engagement, talent development, and business success. |
| Health and Wellness Campaign (Land-based and Sea-based Employees) | Health and Wellness Program<br>- Oplan Kita , Kita Kita ( Free Eye consultation and learning session<br>- Ovarian and Cervical Cancer Awareness<br>- Cardiovascular risks, Prevention, Awareness<br>- Free Breast Screening | - Reduction in HMO utilization<br>- Reduction in usage of Sick Leaves | - Healthy workforce<br>- Less absenteeism<br>- More energize and productive workforce |
| | - Training of ships' Chief Cooks including identification of Menu (in coordination with MIHCA)<br>- Cook refresher course / training every 3 years | 100% of Ships' Chief Cook are trained | Zero crew health related concerns i.e. Medical Evacuation due to Heart Attack, Stroke |
| | Mental Health Program<br>- Mindfulness (information and Education Campaign) | - Number of Attendees<br>- Weekly release of mental health tips | - Awareness of employees on Mental Health |

| Priorities | Projects | Metrics | Impact |
|---|---|---|---|
| | | | - No illnesses related to mental health |
| | - Annual Physical Examination for individual health program – usually done April or May for all sites.<br>- Vaccinations – flu vaccination, covid | - 100% Compliance to APE of all employees<br>- Annual flu vaccination for all employees<br>- 100% compliance to covid vaccination | - Healthy workforce<br>- Less absenteeism<br>- More energize and productive workforce |
| Work Life Integration Initiatives | - Alternative Work Arrangement – Blended work arrangement<br>- Engagement Activities: delivered the following activities:<br>    o New Year Toast<br>    o Trivia Night | - Climate Survey Result<br>- Happiness Index | Happy workforce |
| | - Observance of DOH Health Calendar of Activities<br>- Ear, Nose and Throat<br>- Oral Hygiene<br>- Goiter Awareness<br>- Drug abuse<br>- Liver Care Tips<br>- Obesity Awareness<br>- Diabetes<br>- Lung Month<br>- And others<br>- Covid-19 Vaccination | - Weekly/Monthly HSES information / education dissemination / campaign<br>- Regular discussion with Operations personnel<br>- Scheduled Webinar<br>- 100% Inoculation of employees ($1^{st}$ and $2^{nd}$ dose; booster)<br>- Zero Covid-19 infection | - Informed and Healthy workforce<br>- Less absenteeism<br>- More energize and productive workforce |

LORENZO SHIPPING CORPORATION

**BEST BUSINESS PRACTICES:** ***Human and Labor Fair Practices***

| Priorities | Projects | Metrics | Impact |
|---|---|---|---|
| Policy Creation & Approval | - Workplace Diversity, Equality & Inclusivity<br>- Non-Discrimination<br>- Policy on Human Rights<br>- Freedom of Association<br>- Open Door Policy for Grievance<br>- Special Leave for Women<br>- Succession Planning | - % Compliance Adherence<br>- Stakeholder Feedback<br>- Policy Communication Effectiveness | - Foster employee skill development, fair career advancement opportunities, and a culture of accountability, ultimately enhancing organizational performance and employee satisfaction. |
| Compliance with Labor Laws | - Trainings of HR employees – conduct coaching to HR employees as needed; sharing of regulatory issuances.<br>- Regular submission of Reports and auditing<br>  o Submitted the following compliance reports:<br>    ▪ 2023 13th Month Pay Report to DOLE<br>    ▪ Alphalist and BIR Form 2316 to BIR for Year 2023,<br>- Establishment Report on Wages to DOLE | - DOLE GLS & OSH Certificate of Compliance / Assessment<br>- Annual Reports – 13th Month Pay Report; Alphalist; BIR 2316<br>- Establishment Report | - Avoidance of labor and criminal cases<br>- Penalties |
| Compliance with all government mandated contributions | - Trainings of Payroll employees – coaching as needed; sharing of statutory issuances; | - Payroll Register<br>- Annual Government Clearance<br>- Monthly Government Reports | - Avoidance of labor and criminal cases<br>- Penalties |

| Priorities | Projects | Metrics | Impact |
|---|---|---|---|
| | - Regular submission of government reports and auditing<br>- Digitalization of government reports. | | |
| Compliance with all government mandated contributions | - Trainings of Payroll employees – coaching as needed; sharing of statutory issuances;<br>- Regular submission of government reports and auditing<br>- Digitalization of government reports. | - Payroll Register<br>- Annual Government Clearance<br>- Monthly Government Reports | - Avoidance of labor and criminal cases<br>- Penalties |
| Compliance of partners / out-sourced service providers to General Labor Standard | - Audit of providers | SMETA Certification Audit Results | - Avoidance of labor and criminal cases<br>- Penalties |

**BEST BUSINESS PRACTICES:** ***Tax and Regulatory Compliance***

| Priorities | Projects | Metrics | Impact |
|---|---|---|---|
| Compliance with Tax regulations | - SAP Optimization Project<br>- All contract reviews done by in-house Legal Counsel<br>- Training of People (knowledge on tax) | - 100% compliance to all regulatory requirements<br>- 100% review of all contracts and agreements | - No penalties<br>- No suspensions<br>- High Corporate Governance Rating<br>- No future contract disputes |
| Compliance with regulatory requirements on permits, licenses, and local taxes | SAP Optimization Project | 100% compliance to all regulatory requirements | - No penalties<br>- No suspensions<br>- High Corporate Governance rating |

| Priorities | Projects | Metrics | Impact |
|---|---|---|---|
| Compliance with regulations Related-Party Transactions (RPT) | - RPT Programs and Policies<br>- RPT Documentation | - Annual audit on Related-Party Transactions.<br>- RPT transaction exceeding the allowed threshold amount should have approval from RPT Committee. | - Clear RPT agreement that will ensure transactions with related party are within arm's length and in compliance with the rules and regulations.<br>- Avoid penalties |
| Compliance with Government Regulatory Agencies (SEC, PSE, etc.) | Automatic Reminder System | - Close coordination with the corporate secretary, management and other officers of the corporation regarding regulatory submissions.<br>- Automatic e-mail reminder system prior to deadline. | No penalties and other liabilities arising from late or non-submission. |
| - Compliance to DOLE HR and OSH Inspection | - DOLE Inspections- with Zero Non Compliance on OSH and GLS | - 100% implementation of the projects | - No penalties |

**BEST BUSINESS PRACTICES:** ***Responsible Procurement and Vendor Relationships***

| Priorities | Projects | Metrics | Impact |
|---|---|---|---|
| Development of strategic partnerships with key Vendors | Survey on vendors performance | Quarterly performance assessment is being conducted with a 90% average rating on vendor performance satisfaction | 95% of the suppliers and contractors engaged are performing satisfactory and meeting the expected quality of goods and services rendered. Aside from identifying reliable and innovative vendors, this survey serves as a |

| Priorities | Projects | Metrics | Impact |
|---|---|---|---|
| | | | guidance to the vendors on how they will improve the products and services that they offer to the company. |
| Cascading our KPIs and Goals to suppliers | KPIs for suppliers<br>Awards for suppliers | A monthly coordination meeting with vendors | Able to achieve an 8% cost savings from transactions made through price agreements, sourcing/negotiations and rebates.<br><br>Able to achieve a 96% timely delivery of ordered materials and services.<br><br>This is made possible through regular collaboration with suppliers and contractors.<br><br>No major audit findings were raised on procurement activities and processes by internal and external auditing units. |
| Vendor Management System | Vendor registration evaluation are being conducted through Dun and Bradstreet<br>Help MSMEs prepare requirements of Dun and Bradstreet | 100% of vendors registered are verified by Dun and Bradstreet on its business legitimacy | 100% of suppliers (new and renewal) have undergone the Duns and Bradstreet supplier vetting process.<br><br>It prevents the company to engage with unreliable, non-legitimate or unworthy suppliers. |

LORENZO SHIPPING CORPORATION

| Priorities | Projects | Metrics | Impact |
|---|---|---|---|
| | Utilizing eProcurement in engaging vendors | 80% of vendors are being engage thru eProcurement | 99 % of transactions made were through the eProcurement systems (Online Purchase Request System and SAP System) while 1% of transactions were made through corporate credit card. Minimizes the chance of misplacing the necessary documents starting from Purchase Order to Payables – 100% of vendors transaction are through eProcurement and provides audit trail. |
| | Approval Processes and Authorizations of Accredited Vendors are catered through Online Vendor Registration System | 100 % of vendors are approved prior to engagement through the Online Vendor Registration System. | 100% of vendors were pre-registered in the Online Vendor Registration System with complete, legitimate and updated documents prior to its utilization or provision of Purchase Order. |
| Health and Safety in vendor accreditation | Compliance by vendors to health and safety protocols of LSC and customers (rapid test, medical certificates, safety seminars, PPE compliance) | 100% of suppliers comply with the safety standard of the company | 100% suppliers and contractors are adhering to safety standard of the company, hence, no accidents or fatality has occurred during their delivery of goods and services. |

| Priorities | Projects | Metrics | Impact |
|---|---|---|---|
| Integrity Initiative | Integrity Pact:<br>Conflict of Interest, Data Privacy, Anti-Corruption, Forced and Child Labor, Non-Compliance to Environmental Policies / Safety and violations of Human Rights before being accepted as an accredited vendor. | 100% of vendors have acknowledged the policies mandated by the company during registration process | 100% of suppliers and contractors have acknowledged the conflict of interest and integrity pact documents prior to their engagement.<br><br>No bribery and corruption practices has been reported nor highlighted by either from internal or external auditors. |
| | Feedback mechanism for Trucker feedback, zero complaints on employees being bribed | Regular meeting with truckers to discuss their performance including cases of bribery, if any | Healthy relationship with partners |
| Data Privacy Policy | Train all Vendors on Data Privacy policies | - 100% compliance prior to the engagement of vendors<br>- Zero Incident of Data Breach | 100% of suppliers and contractors have acknowledged the data privacy documents prior to their engagement. Zero data breach reported. |

**BEST BUSINESS PRACTICES:** ***Environmental and safety compliance***

| Priorities | Projects | Metrics | Impact |
|---|---|---|---|
| Carbon Footprint - Ships | Slow-steaming of vessels and usage of East Coast Passage while in transit | 100 % compliance in slow steaming.<br><br>For East coast passage, this will depend on the weather condition. No passage during inclement weather | Reduction of fuel by 5% monthly |
| Waste on ships | Green Campaign to follow the | - MSI sets the HSES and Technical Performance Targets | - Zero environmental incident and |

| Priorities | Projects | Metrics | Impact |
|---|---|---|---|
| | environmental compliance on:<br>- Marine Pollution Preventions (Oily water, harmful substances, sewage and Garbage waste disposals).<br>- Air Pollution Prevention | - Monthly monitoring of carbon footprints<br>- 100% Compliance to DENR Self-Monitoring of Hazardous waste; Monitoring, Disposal and Treatment with certificate from hauler and Treatment Facility; Solid waste management of the vessel in collaboration with port operator. | accidental waste disposal at sea.<br>- No penalties to DENR's Statutory reporting and monitoring<br>- No port delay/ detention due to non-compliance of MARPOL regulation. |
| Refining Environmental Compliance for Greater Impact | - Installation of color coded trash bin in Reference to solid waste management.<br>- Pollution Control Officer Training Course<br>- Environmental Managing Head Training Course | - 100% Completed in all sites<br>- 100% attendance | - Zero environmental incident |
| Disposal of Hazardous Material | - Hazardous waste disposal (I101 - Used Oil) in accordance with RA 6969. | - Submission of Self-Monitoring Report as required by DENR-EMB | - No violation from DENR |
| Carbon Footprint – Container Handling Equipment | - Strict implementation of scheduled preventive maintenance<br>Proper disposal of used oil (generated during PMS) thru accredited DENR Hauler and Treatment Facility | - Preventive maintenance reports<br>- 100% availability of cargo handling equipment | - Reduction in oil leaks<br>- Reduced oil and fuel consumption |
| Paperless Campaign (Solid Waste Management) | Paperless Campaign<br>- billing | - 80% Reduction in usage/cost of stationery supplies | Adherence to environment friendly campaign |

LORENZO SHIPPING CORPORATION

| Priorities | Projects | Metrics | Impact |
|---|---|---|---|
| | - requests for payments<br>- file storage and archiving | - 100% trained in digital storage | |
| Zero Harm to Environment Awareness Campaign | - Energy Saving tips<br>- Earth-hour<br>- World water day | - 100% on time release of materials | Elevating Environmental Literacy for Informed Action |

**BEST BUSINESS PRACTICES:** ***Adherence to the Company Code of Ethics***

| Priorities | Projects | Metrics | Impact |
|---|---|---|---|
| HR Policy Support and Enforcement | - Workplace Diversity, Equality & Inclusivity<br>- Non-Discrimination<br>- Policy on Human Rights<br>- Freedom of Association<br>- Open Door Policy for Grievance<br>- Special Leave for Women<br>- Succession Planning | - Roll-out session<br>- Management Sign-off<br>- Number of Audit Findings | - Good governance<br>- Proper communication of appropriate standards |
| Code of Conduct and Employee Discipline | - Policy cascade to new hires<br>- Re-orientation of old employees | - Zero or % reduction on employee discipline and administrative cases | - Elimination of potential labor cases<br>- Disruption of operations<br>- HR focused on engagement programs |

LORENZO
SHIPPING CORPORATION

## TOP RISKS WITH HIGH IMPACT

### Governance and Compliance Risks

- Related Party Transactions – intercompany transactions that might give rise to conflict of interest or may raise questions from government agencies.
- Non-compliance with regulatory bodies: SEC, PSE, BIR, SSS, BOC, DOLE, DENR, DOT, LGU
- Failure to timely disclose material information to PSE
- Non-compliance with the company's Corporate Governance Charter
- Non-compliance with local licensing government agency policies and regulations: MARINA, DOLE, POEA, LGU, PPA
- Corruption Risks
- Non-compliance with Certifying bodies: Class, ISO, SMETA, others
- Labor-related Risks
- Assessments from different government agencies arising from lack or improper documentation
- Data Privacy Risks
- Cybersecurity Risks

### Economic, Financial, Operational Risks

- Changes in regulatory risks (for ex Public Utility)
- Operational vessel downtimes due to maintenance
- Operational vessel downtimes due to weather
- Operational vessel downtimes due to sabotage
- Safety Risks to vessel
- Safety Risks to cargo on board
- Safety Risks to Crew
- Safety Risks to Land-based employees
- Safety risks that damage the environment
- Safety Risks to Truck
- Health and Safety Risks to container handling equipment and operators
- Health and Safety Risks to truck drivers and helpers
- Quality and Safety Risks to cargo in storage
- Competition Risks - over-tonnage
- Fiscal risks
- Financial - Loss of Bank support
- Financial - Lack of Liquidity
- Loss of vendor support from non-payment
- High interest rates
- Foreign currency fluctuation
- Fluctuations in fuel costs
- Excise taxes
- Non-payment of insurance
- High cost of insurance
- Opportunity losses due to unavailability of equipment

- Cost of suit

**Social Risks**

- Problems arising from Labor - Management Conflicts
- Health and accident and occupational risks that can cause stoppage of vessel operation and land-based work
- Sickness of organic and inorganic workforce (physical and mental well-being)
- Sickness within the employees' household
- Employees' domestic/financial problems
- Accidents and disability
- Death

**Environmental Risks**

- Oil Sludge and Oily Water disposal - fines and penalties
- Waste improperly disposed of (including expired customer bad orders/claims)
- Improper disposal of consumables (worn-out tires, batteries with hazardous acid, other worn-out vessel, LBE, vehicle and container parts/components)
- Grounding and ship-wreck especially in protected areas
- Vessel, LBE, vehicle and other equipment failing emission standards
- Increasing carbon footprint in offices and facilities

LORENZO
SHIPPING CORPORATION

**ANNUAL OPERATING PLAN**

**PROFIT**

| Key Result Areas | KPI | Action |
|---|---|---|
| Total Revenue Targets | Php 2.5B Freight Revenue | Upward rate adjustment |
| Total Volume Targets | 109,220 TEUs | - Maximize vessel capacity<br>- Close & regain new accounts |
| Target average Freight/teu | Improve by 11% from previous year | Upward rate adjustment |
| Retention of good existing accounts | Php 1.5B Freight Revenue<br>40 Accounts | - Enhanced Incentive Scheme<br>- Individual incentives<br>- Team incentives<br>- Rolling cargo incentives |
| Growth of business (New Accounts) | 40 leads per month with 10% conversion rate | |
| Regained Accounts | 150 new/regained accounts | Incentive and Bonus Programs |
| Operational Cost Control | All terminal expenses are within budget | Monthly Budget variance reporting |
| Market share | Increase by at least 2% from previous year | - Improvement of website (chatbox) and E-Services<br>- Intensified communication through virtual video calls/meetings |
| Customer management | Customer Service and Feedback management (Rating of 4.0) | - Customer Satisfaction Measurement (CSM) twice a year<br>- Customer Feedback tracked and responded immediately by the assigned customer service |
| Claims | - Prompt response to Claims within 30 days<br>- Prompt claim to insurers within 30 days | Implementation of CDIMS:<br>- to capture incident report immediately<br>- to issue provisional claims to 3rd party like insurers |

## PRODUCTS

| Key Result Areas | KPI | Action |
|---|---|---|
| New Services / E-Services | 100% implementation of LSC E-Services | Sales to introduce E-Services to customers that will aid them in tracking their cargoes, know the vessel schedule and immediate booking of cargoes |

**PRODUCTIVITY** (innovations in digitalization, process improvements, quality management improvements are projects listed in the sustainability section)

| Key Result Areas | KPI | Action |
|---|---|---|
| Financial and Operational Dashboards | Real-time information | Generate reports through Power BI<br>Maximization of use of dashboards from SAIL V2 |
| Service-delivery to Billing Cycle reduction | Improvement 40% from previous year | Regular meetings with customers for reconciliation and collection. |
| Maximize Mix-and-Match trips (applicable to Manila only) | Achieve 35% mix-and-match for all truck dispatch moves | - Daily planning in matching the schedule of deliveries and pick-ups.<br>- Close coordination between dispatching assistants assigned for deliveries and pick-up trips |
| Container Utilization | 85% container utilization | - Updated movement in SAIL and physical inventory per location<br>- Strict implementation of container detention and storage fees policy |
| Container Acceptance | - Zero container rejection at customer's warehouse<br>- Zero foul trip due to rejected container | - Regular inspection of container prior issuance and upon return<br>- Training of Checkers on the correct and proper way of inspecting containers |

| Key Result Areas | KPI | Action |
|---|---|---|
| Document Storage System | 100% use<br>Minimize physical storage | Use of common folder (network attached) for storage of documents |

**PEOPLE MANAGEMENT**

| Key Result Areas | KPI | Action |
|---|---|---|
| Retention of key MPs | 90% Retention Rate | Engagement of employees |
| Retention of Staff | 90% Retention Rate | Engagement of employees |
| Performance Management System | 20% of MPs in under 4 & 5 of Talent Classification Matrix | - Employee Development Programs<br>- Performance Improvement Plan (PIP)<br>- Individual Development Program (IDP) |
| Relationship with Local Community | 20% of employees living within the local community | Advertise hiring/vacancies in coordination with the local community |

**PLANET**

| Key Result Areas | KPI | Action |
|---|---|---|
| Energy Consumption | regular monitoring and measurement in all identified sites | Gradual replacement of LED lights, procurement of energy saving appliances. |
| Water Consumption | regular monitoring and measurement in all identified sites | Repair of pipes and IEC for water conservation measures. |

**ENGAGING WITH OUR STAKEHOLDERS**

| Audience | Engagement | How often | Responsible Person/Unit/ Department |
|---|---|---|---|
| TO EMPLOYEES | Pulse/Climate Surveys | At least once a year or when needed | HRCSD |
| | Regular engagement activities | Per schedule, e.g., Valentine’s Day, Mother’s Day, Father’s Day, Trick or Treat, | HRCSD |

| Audience | Engagement | How often | Responsible Person/Unit/ Department |
|---|---|---|---|
| | | Christmas Party, New Year Toast | |
| | Team Building | At least once year | HRCSD |
| | Employee Performance Check-ins | As needed | All supervisory roles with staff |
| | Regular Coaching | As needed | All supervisory roles with staff |
| | Townhall (virtual or physical) | At least twice a year or when needed | Group/SBU Head |
| | Performance reviews of KPIS and Competencies | Mid-year and Year-end | All supervisory roles with staff |
| | Leadership Seminar | Based on HR Programs | HR Council |
| | Individual Learning Program | Based on PAF, IDP or PIP, Immediate Superior's request | HR and Immediate Superior |
| | Company Updates | My Magsaysay<br>AskMyHR | Corporate Communication Team or selected Heads/Personnel on specific subjects |
| TO CUSTOMERS | Market and Trend Bulletins | Weekly | Marketing and Nationwide Sales |
| | Thought Leadership | Quarterly Townhall | Head of Liner |
| | Customer audits and Assessments | As required | Sales & Marketing and Innovation teams |
| | Net Promoter System (Customer Satisfaction Measurement) | Twice a year | Sales & Marketing and Innovation teams |
| | Business Review | Quarterly and Monthly Business Review with customers | Sales Team assigned to the specific account |
| | Sales Meetings | - Once a week sales meeting (separate for Branch and Manila Sales)<br>- Once a week nationwide huddle | All Sales (Nationwide) |
| TO SUB-CONTRACTORS | Audits and Assessments | Twice a year | SPU/Operations |
| | RFP Process | As needed | Operations |

| Audience | Engagement | How often | Responsible Person/Unit/ Department |
|---|---|---|---|
| | Review meetings on KPIs | Monthly | Department/Unit Lead |
| | Awards and incentives events | Quarterly for Truckers | Operations |
| SHAREHOLDERS | Website Content is fully updated with all company financial and operational disclosures | When there are new or revisions on policies and disclosures | Compliance Officer |
| COMMUNITY | Industry Associations Involvement<br>- Philippine Liner Shipping Association (PLSA)<br>- Philippine Interisland Shipping Association (PISA)<br>- Supply Chain Management Association of the Philippines (SCMAP) | As needed | President and COO |
| | Social Media<br>- FB page – Lorenzo Shipping Corporation<br>- LinkedIn | As needed | - Marketing<br>- Corporate Communication |
| | - Anti flu vaccination campaign<br>- Oplan kita kita – How to protect our eyes campaign and free eye examination<br>- Anti breast cancer campaign - free breast screening - check up | - Once a year<br>- Twice a year<br>- Once a year | - HSES / HR<br>- HSES / MPMC / CORPCOM<br>- HSES / Kasuso Foundation |

LORENZO SHIPPING CORPORATION

| Audience | Engagement | How often | Responsible Person/Unit/ Department |
|---|---|---|---|
| | - Blood Letting Activity with Philippine Red Cross<br>- Balik Baterya Program<br>- Ex-Trash Challenge ("Less Basura, Less Problema" Solid Waste Disposal Program) | - Twice a year<br>- Once a year<br>- Once a year | - HOMER Foundation / HSES<br>- PBSP / NPI / HSES / LSC<br>- PBSP / HSES / SPU |
| CANDIDATES | Job Fairs | As needed | HRCSD |
| | Executive Search Partners | With at least 3 active accredited partners - done | HRCSD |
| | Assessments | With at least 3 active accredited partners – two accredited | HRCSD |
| | Interviews | As needed | HRCSD/Hiring |
| | Candidate Experience | As needed | HRCSD/Hiring |

# C O V E R   S H E E T
for
## AUDITED FINANCIAL STATEMENTS

SEC Registration Number

48909

**COMPANY NAME**

LORENZO SHIPPING CORPORATION

**PRINCIPAL OFFICE** *( No. / Street / Barangay / City / Town / Province )*

20th Floor Times Plaza Building, United Nations Avenue, Ermita, Manila

| Form Type | Department requiring the report | Secondary License Type, If Applicable |
|---|---|---|
| AAFS | CRMD | N/A |

**COMPANY INFORMATION**

| Company's Email Address | Company's Telephone Number | Mobile Number |
|---|---|---|
| corporatesecretary@msl.com.ph | (02) 8527-5555 | +639178157290 |

| No. of Stockholders | Annual Meeting (Month / Day) | Fiscal Year (Month / Day) |
|---|---|---|
| 899 | 8/10 | 12/31 |

**CONTACT PERSON INFORMATION**

The designated contact person ***MUST*** be an Officer of the Corporation

| Name of Contact Person | Email Address | Telephone Number/s | Mobile Number |
|---|---|---|---|
| Amelita M. Intalan | amelita.intalan@msl.com.ph | (02) 8527-5555 | 09989682949 |

**CONTACT PERSON's ADDRESS**

20th Floor Times Plaza Building, United Nations Avenue, Ermita, Manila

***NOTE 1 :*** *In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.*

***2 :*** *All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.*

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph

# INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Lorenzo Shipping Corporation
20th Floor Times Plaza Building
United Nations Avenue, Ermita, Manila

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of Lorenzo Shipping Corporation (the Company), which comprise the statements of financial position as at December 31, 2023 and 2022, and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2023, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023 and 2022, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2023 in accordance with Philippine Financial Reporting Standards (PFRSs).

### Basis for Opinion

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

### Key Audit Matters

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

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Assessment of Going Concern Basis
The Company incurred net losses in 2021 and prior years resulting to a deficit of ₱589.82 million as of December 31, 2023. In addition, the Company's current liabilities exceeded its current assets by ₱1.07 billion as of December 31, 2023.

The financial statements had been prepared on a going concern basis. Management's assessment of the Company's ability to generate sufficient funding is based on assumptions such as forecasted revenue, operating costs and capital expenditures, that are subject to a higher level of estimation uncertainty especially given the current economic conditions which have been impacted by the volatility in fuel prices and the feasibility of the sources of financing. Since the going concern assessment involves significant management judgments and estimates, we consider this as a key audit matter.

Refer to Notes 1 and 4 to the financial statements for the disclosure on the going concern assessment, including the discussion of the Company's future plans.

*Audit response*

We obtained an understanding of management's going concern assessment, including the cash flow projection prepared by management and approved by the Board of Directors. We evaluated the key assumptions such as forecasted revenue, operating costs, capital expenditures, and the other sources of financing, that were used by management in the Company's cash flows forecast for the next 12 months from the end of the reporting period. We evaluated these key assumptions by reference to historical information and relevant market data and by taking into consideration the current economic conditions including the impact of the volatility of fuel prices and the actions undertaken and the planned strategies by management in relation to the Company's operating and financing activities. We obtained the letters of financial support from the Company's related parties and agreed the details of the terms of the credit facilities against supporting documentation. We also assessed the adequacy of the related disclosures in the notes to the financial statements.

Impairment of Property and Equipment
As of December 31, 2023, the Company's property and equipment amounted to ₱1.24 billion, which comprise 40% of the Company's total assets. The Company's net assets exceeded its market capitalization as of December 31, 2023. In addition, the Company is affected by the volatility in fuel prices in the market and competitive pricing on container line cargoes shipping. In the event that an impairment indicator is identified, the assessment of the recoverable amount of the property and equipment requires significant judgment and involves estimation and assumptions about the discount rate, revenue growth rates, operating costs, and capital expenditures. In addition, because of the volatility in fuel prices, there is heightened level of uncertainty on the future economic outlook and market forecast. Hence, such assessment is a key audit matter.

Refer to Notes 3 and 4 to the financial statements for the relevant accounting policies and discussion of significant accounting judgment and estimates and Note 9 for the detailed disclosures about the carrying amounts of the vessels in operations and related equipment.

*Audit Response*
We have evaluated the methodology and the assumptions used. These assumptions include the revenue growth rates, operating costs, capital expenditures and discount rates. We tested the mathematical accuracy of the financial model and compared the key assumptions in the financial projection, such as the revenue growth rates, operating costs, and capital expenditures, against the historical experience of the Company and market information, taking into consideration the impact associated with the volatility in fuel prices. We tested the parameters used in the determination of the discount rate against market data. We also reviewed the Company's disclosures about those assumptions to which the outcome of the impairment test is most sensitive; specifically those that have the most significant effect on the determination of the recoverable amount of property and equipment.

**Other Information**

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2023, but does not include the financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2023 are expected to be made available to us after the date of this auditor's report.

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

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

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

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

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

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

**Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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

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

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

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

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

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

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

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

**Report on the Supplementary Information Required Under Revenue Regulations 15-2010**

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole.  The supplementary information required under Revenue Regulations 15-2010 in Note 31 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements.  Such information is the responsibility of the management of Lorenzo Shipping Corporation.  The information has been subjected to the auditing procedures applied in our audit of the basic financial statements.  In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditor's report is Peter John R. Ventura.

SYCIP GORRES VELAYO & CO.

[redacted]

Peter Jo n R. Ventura
Partner
CPA Certificate No. 0113172
[redacted]
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
BIR Accreditation No. 08-001998-140-2021, November 10, 2021, valid until November 9, 2024
PTR No. 10082030, January 6, 2024, Makati City

April 8, 2024

## LORENZO SHIPPING CORPORATION
## STATEMENTS OF FINANCIAL POSITION

| | December 31 | |
|---|---|---|
| | **2023** | 2022 |
| **ASSETS** | | |
| **Current Assets** | | |
| Cash and cash equivalents (Note 5) | **₱99,128,666** | ₱62,526,759 |
| Trade and other receivables (Note 6) | **647,299,769** | 743,761,535 |
| Contract assets (Note 6) | **4,041,317** | 9,418,443 |
| Inventories (Note 7) | **61,474,637** | 78,446,460 |
| Prepayments and other current assets (Note 8) | **203,538,050** | 134,983,284 |
| **Total Current Assets** | **1,015,482,439** | 1,029,136,481 |
| **Noncurrent Assets** | | |
| Property and equipment (Note 9): | | |
| At cost | **1,240,672,522** | 1,111,102,425 |
| At revalued amount | **175,896,000** | 175,896,000 |
| Computer software (Note 10) | **3,060,765** | 3,956,598 |
| Deferred tax asset - net (Note 22) | **6,995,849** | – |
| Other noncurrent assets (Note 11) | **651,292,082** | 610,335,517 |
| **Total Noncurrent Assets** | **2,077,917,218** | 1,901,290,540 |
| **TOTAL ASSETS** | **₱3,093,399,657** | ₱2,930,427,021 |
| **LIABILITIES AND EQUITY** | | |
| **Current Liabilities** | | |
| Accounts payable and other current liabilities (Note 12) | **₱1,585,687,460** | ₱1,649,780,869 |
| Short-term borrowings (Note 13) | **341,963,292** | 320,640,916 |
| Current portion of: | | |
| Long-term borrowings (Note 13) | **67,120,578** | 101,581,177 |
| Lease liabilities (Note 26) | **65,247,182** | 33,832,479 |
| Long-term borrowing - related party (Note 25) | **24,814,918** | – |
| **Total Current Liabilities** | **2,084,833,430** | 2,105,835,441 |
| **Noncurrent Liabilities** | | |
| Noncurrent portion of: | | |
| Long-term borrowings (Note 13) | **71,712,782** | 138,226,553 |
| Lease liabilities (Note 26) | **164,296,787** | 53,797,674 |
| Long-term borrowing - related party (Note 25) | **200,410,450** | 150,305,719 |
| Retirement benefit obligation (Note 18) | **105,611,008** | 76,547,471 |
| Deferred tax liabilities - net (Note 22) | – | 24,210,312 |
| **Total Noncurrent Liabilities** | **542,031,027** | 443,087,729 |
| **Total Liabilities** | **2,626,864,457** | 2,548,923,170 |

*Forward*

| | December 31 | |
|---|---|---|
| | **2023** | 2022 |
| **Equity** | | |
| Common stock - ₱1 par value (Note 23): | | |
| Authorized - 991,183,999 shares | | |
| Issued and outstanding - 554,642,251 shares | **₱555,652,251** | ₱555,652,251 |
| Additional paid-in capital | **459,791,492** | 459,791,492 |
| Revaluation increment (Note 9) | **72,643,023** | 72,643,023 |
| Actuarial losses on defined benefit obligation (Note 18) | **(28,605,970)** | (17,850,964) |
| Deficit | **(589,819,746)** | (685,606,101) |
| Treasury shares at cost | **(3,125,850)** | (3,125,850) |
| **Total Equity** | **466,535,200** | 381,503,851 |
| **TOTAL LIABILITIES AND EQUITY** | **₱3,093,399,657** | ₱2,930,427,021 |

*See accompanying Notes to Financial Statements.*

## LORENZO SHIPPING CORPORATION
## STATEMENTS OF INCOME

| | Years Ended December 31 | | |
|---|---|---|---|
| | **2023** | 2022 | 2021 |
| **FREIGHT REVENUE** (Note 14) | **₱3,280,896,707** | ₱3,299,471,438 | ₱2,871,942,636 |
| **DIRECT COSTS** | | | |
| Cost of services (Note 15) | **2,640,300,101** | 2,824,867,551 | 2,600,274,704 |
| Terminal expenses (Note 16) | **249,314,899** | 240,214,878 | 220,205,431 |
| | **2,889,615,000** | 3,065,082,429 | 2,820,480,135 |
| **GROSS PROFIT** | **391,281,707** | 234,389,009 | 51,462,501 |
| **GENERAL AND ADMINISTRATIVE EXPENSES** (Note 17) | **(217,516,154)** | (186,221,167) | (142,095,705) |
| **FINANCE COSTS AND OTHER CHARGES** (Note 20) | **(68,643,755)** | (50,805,414) | (47,444,390) |
| **OTHER INCOME (CHARGES)** - net (Note 21) | **19,837** | 21,319,220 | 49,669,052 |
| **INCOME (LOSS) BEFORE INCOME TAX** | **105,141,635** | 18,681,648 | (88,408,542) |
| **PROVISION FOR (BENEFIT FROM) INCOME TAX** (Note 22) | | | |
| Current | **39,999,876** | 10,161,699 | 368,528 |
| Deferred | **(30,644,596)** | (10,080,260) | (4,193,337) |
| | **9,355,280** | 81,439 | (3,824,809) |
| **NET INCOME (LOSS)** | **₱95,786,355** | ₱18,600,209 | (₱84,583,733) |
| **EARNINGS (LOSS) PER SHARE** (Note 24) | | | |
| Basic and diluted | **₱0.17** | ₱0.03 | (₱0.15) |

*See accompanying Notes to Financial Statements*

## LORENZO SHIPPING CORPORATION
## STATEMENTS OF COMPREHENSIVE INCOME

| | Year Ended December 31 | | |
|---|---|---|---|
| | **2023** | 2022 | 2021 |
| **NET INCOME (LOSS)** | **₱95,786,355** | ₱18,600,209 | (₱84,583,733) |
| **OTHER COMPREHENSIVE INCOME (LOSS)** | | | |
| *Items that will not be reclassified to statements of income:* | | | |
| Actuarial gains (loss) on retirement benefit obligation, net of tax (Note 18) | **(10,755,006)** | 11,918,989 | 2,278,782 |
| Revaluation increment (Note 9) | – | 18,846,000 | – |
| Income tax effect | – | (4,711,500) | – |
| Effect of change in tax rate (Note 9) | – | – | 3,900,568 |
| Revaluation increment, net of tax | – | 14,134,500 | 3,900,568 |
| Total other comprehensive income (loss) for the year, net of tax | **(10,755,006)** | 26,053,489 | 6,179,350 |
| **TOTAL COMPREHENSIVE INCOME (LOSS)** | **₱85,031,349** | ₱44,653,698 | (₱78,404,383) |

*See accompanying Notes to Financial Statements.*

## LORENZO SHIPPING CORPORATION

## STATEMENTS OF CHANGES IN EQUITY

### FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021

| | Common Stock | Additional Paid-in Capital | Revaluation Increment (Note 9) | Actuarial Gains (Losses) on Retirement Benefit Obligation (Note 18) | Deficit (Note 28) | Treasury Shares | Total |
|---|---|---|---|---|---|---|---|
| Balances at January 1, 2021 | ₱555,652,251 | ₱459,791,492 | ₱54,607,955 | (₱32,048,735) | (₱619,622,577) | (₱3,125,850) | ₱415,254,536 |
| Net loss | – | – | – | – | (84,583,733) | – | (84,583,733) |
| Other comprehensive income | – | – | 3,900,568 | 2,278,782 | – | – | 6,179,350 |
| Total comprehensive income (loss) | – | – | 3,900,568 | 2,278,782 | (84,583,733) | – | (78,404,383) |
| Balances at December 31, 2021 | 555,652,251 | 459,791,492 | 58,508,523 | (29,769,953) | (704,206,310) | (3,125,850) | 336,850,153 |
| Net income | – | – | – | – | 18,600,209 | – | 18,600,209 |
| Other comprehensive income | – | – | 14,134,500 | 11,918,989 | – | – | 26,053,489 |
| Total comprehensive income | – | – | 14,134,500 | 11,918,989 | 18,600,209 | – | 44,653,698 |
| Balances at December 31, 2022 | 555,652,251 | 459,791,492 | 72,643,023 | (17,850,964) | (685,606,101) | (3,125,850) | 381,503,851 |
| Net income | – | – | – | – | 95,786,355 | – | 95,786,355 |
| Other comprehensive loss | – | – | – | (10,755,006) | – | – | (10,755,006) |
| Total comprehensive income (loss) | – | – | – | (10,755,006) | 95,786,355 | – | 85,031,349 |
| **Balances at December 31, 2023** | **₱555,652,251** | **₱459,791,492** | **₱72,643,023** | **(₱28,605,970)** | **(₱589,819,746)** | **(₱3,125,850)** | **₱466,535,200** |

*See accompanying Notes to Financial Statements.*

## LORENZO SHIPPING CORPORATION
## STATEMENTS OF CASH FLOWS

| | Years Ended December 31 | | |
|---|---|---|---|
| | **2023** | 2022 | 2021 |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Income (loss) before income tax | **₱105,141,635** | ₱18,681,648 | (₱88,408,542) |
| Adjustments for: | | | |
| Depreciation and amortization (Notes 9 and 10) | **214,977,951** | 158,480,103 | 208,467,956 |
| Finance costs and other charges (Note 20) | **68,643,755** | 50,805,414 | 47,444,390 |
| Net change in retirement benefit obligation | **6,218,312** | 2,588,595 | 2,210,780 |
| Gain on disposal of property and equipment - net (Note 21) | **(697,008)** | – | (288,295) |
| Unrealized foreign exchange loss (gain) - net | **(638,368)** | 3,500,355 | 666,563 |
| Interest income (Note 21) | **(91,621)** | (117,002) | (180,609) |
| Operating income before working capital changes | **393,554,656** | 233,939,113 | 169,912,243 |
| Decrease (increase) in: | | | |
| Trade and other receivables | **107,990,420** | (98,091,122) | 59,454,224 |
| Contract assets | **5,377,126** | 56,709,008 | (34,643,017) |
| Inventories | **16,971,823** | (15,091,655) | (35,407,005) |
| Prepayments and other current assets | **(84,799,289)** | (27,193,639) | (58,400,529) |
| Other noncurrent assets | **(64,711,918)** | (62,181,056) | (28,849,511) |
| Increase in accounts payable and other current liabilities | **37,511,206** | 190,865,540 | 88,678,658 |
| Net cash flows from operations | **411,894,024** | 278,956,189 | 160,745,063 |
| Interest received | **91,621** | 117,002 | 180,609 |
| Net cash flows from operating activities | **411,985,645** | 279,073,191 | 160,925,672 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Additions to: | | | |
| Property and equipment (Note 9) | **(133,897,026)** | (116,693,694) | (71,604,284) |
| Computer software (Note 10) | **–** | (4,479,168) | – |
| Proceeds from disposal of property and equipment (Note 9) | **864,928** | – | 335,200 |
| Net cash flows used in investing activities | **(133,032,098)** | (121,172,862) | (71,269,084) |

*(Forward)*

| | Years Ended December 31 | | |
|---|---|---|---|
| | **2023** | 2022 | 2021 |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Net proceeds from (payments of) short-term borrowings (Note 13) | **₱21,322,376** | (₱47,631,444) | ₱30,601,960 |
| Proceeds from: | | | |
| Long-term borrowings (Note 13) | **–** | – | 70,000,000 |
| Payments of: | | | |
| Long-term borrowings (Notes 13 and 25) | **(126,564,767)** | (91,277,778) | (103,348,015) |
| Principal portion of lease liabilities (Note 26) | **(68,819,135)** | (36,035,387) | (65,870,419) |
| Finance costs and other charges (Notes 13, 20 and 26) | **(69,738,324)** | (49,424,649) | (44,765,828) |
| Deferred transaction cost (Note 13) | **–** | – | (525,001) |
| Net cash flows used in financing activities | **(243,799,850)** | (224,369,258) | (113,907,303) |
| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | **35,153,697** | (66,468,929) | (24,250,715) |
| **EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS** | **1,448,210** | (2,889,181) | (13,572) |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR** | **62,526,759** | 131,884,869 | 156,149,156 |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** (Note 5) | **₱99,128,666** | ₱62,526,759 | ₱131,884,869 |

*See accompanying Notes to Financial Statements.*

# LORENZO SHIPPING CORPORATION
# NOTES TO FINANCIAL STATEMENTS

1. **Corporate Information and Status of Operations**

Corporate Information
Lorenzo Shipping Corporation (the Company) was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on October 17, 1972 primarily to engage in domestic inter-island cargo shipping activities.

The Company is majority-owned by National Marine Corporation (NMC), a domestic holding company. A. Magsaysay, Inc. (AMI) is the ultimate parent of the Company.

The Company's common shares of stock are traded in the Philippine Stock Exchange (PSE).

The Company is a holder of several Certificates of Convenience and special permits issued by the Maritime Industry Authority to service certain domestic ports of call.

The Company's registered and principal business address is 20th Floor Times Plaza Building, United Nations Avenue, Ermita, Manila.

Status of Operations
The Company incurred losses in 2021 and prior years resulting to a deficit of ₱589.82 million and ₱685.61 million as of December 31, 2023 and 2022, respectively. In addition, the Company's total current liabilities exceeded its total current assets by ₱1.07 billion and ₱1.08 billion as of December 31, 2023 and 2022, respectively.

Management believes that with the Company's available unused credit facilities, the continued financial support from and deferral of payment of payables to its related parties, collection of insurance claims (see Note 21), strong relationship with banks, various revenue enhancement programs (i.e. rate adjustments and recovery charges, among others) and cost reduction initiatives (i.e. fuel consumption rationalization, technological enhancements, among others) to further improve the results of its operations, the Company will be able to generate sufficient cash flows from its operations and financing activities (from local banks and related parties) to meet its obligations as and when they fall due. As such, the financial statements have been prepared on a going concern basis of accounting.

The financial statements of the Company as of December 31, 2023 and 2022 and for each of the three years in the period ended December 31, 2023 were approved and authorized for issuance by the Board of Directors on April 8, 2024.

2. **Basis of Preparation, Statement of Compliance and Changes in Accounting Policies and Disclosures**

Basis of Preparation
The accompanying financial statements have been prepared under the historical cost basis except for land which is carried at revalued amounts. The financial statements are presented in Philippine peso (Peso), which is the Company's functional and presentation currency, and rounded to the nearest millions, except when otherwise indicated.

Statement of Compliance
The financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs).

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective in 2023. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Unless otherwise indicated, the adoption of these new standards did not have an impact on the financial statements of the Company:

- Amendments to PAS 8, *Definition of Accounting Estimates*
- Amendments to PAS 12, *International Tax Reform – Pillar Two Model Rules*
- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

  The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

  - Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies, and
  - Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

  The Company applied the materiality guidance in its 2023 accounting policy disclosures.

- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising 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).

  The amendment was applied on the recognition of deferred income tax asset on lease liability and deferred income tax liability on right-of-use (ROU) assets in 2023 (see Note 22). Other than this, the Company's current practice is already in line with the amendment.

Standards Issued but not yet Effective
Pronouncements issued but not yet effective are listed below. The Company intends to adopt the following pronouncements when they become effective. Adoption of these pronouncements is not expected to have a significant impact on the Company's financial statements.

*Effective beginning on or after January 1, 2024*

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*
- Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback*
- Amendments to PAS 7 and PFRS 7, *Disclosures: Supplier Finance Arrangements*

*Effective beginning on or after January 1, 2025*

- PFRS 17, *Insurance Contracts*
- Amendments to PAS 21, *Lack of exchangeability*

*Deferred effectivity*

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

## 3. Material Accounting Policy Information

Financial Instruments – Initial Recognition and Subsequent Measurement
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

a. Financial assets

*Initial recognition and measurement*
Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (FVOCI), and fair value through profit or loss (FVTPL).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at FVTPL, irrespective of the business model.

The Company's financial assets at amortized cost includes cash and cash equivalents, trade and other receivables, security deposits included under other noncurrent assets.

*Subsequent measurement*
Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in the statement of income when the asset is derecognized, modified or impaired.

*Impairment*
The Company recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original EIR. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Company applies the simplified approach in calculating ECLs, as permitted by PFRS 9. Therefore, the Company does not track changes in credit risk, but instead, recognizes a loss allowance based on the financial asset's lifetime ECL at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For cash and cash equivalents, the Company applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and considered to be low credit risk investments.

For other debt financial instruments such as other receivables and security deposits included under other noncurrent assets, the Company applies the general approach. Therefore, the Company track changes in credit risk at every reporting date.

b. Financial liabilities

*Initial recognition and measurement*
Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, loans and borrowings at amortized cost, or as derivatives designated as hedging instruments in an effective hedge appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings net of directly attributable transaction costs.

The Company's financial liabilities include accounts payable and other current liabilities, borrowings, lease liabilities and long-term borrowing to a related party.

*Subsequent measurement*
After initial recognition, loans and borrowings and payables are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in the statement of income when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of income.

Inventories
Inventories are valued at the lower of cost and net realizable value (NRV). Costs incurred in bringing each product to its present location and condition are accounted for as follows:

| | | |
|---|---|---|
| Materials and spare parts | - | purchase cost using first-in, first-out method |
| Fuel, diesel and lubricants | - | purchase cost using first-in, first-out method |

Net realizable value is the estimated replacement cost.

An allowance for losses and obsolescence is determined based on a regular review and management evaluation of movement and condition of spare parts and supplies.

Property and Equipment
Property and equipment, except for land, are stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and any accumulated impairment in value. Such cost includes the cost of replacing part of the property and equipment when that cost is incurred, if the recognition criteria are met.

Land is initially measured at cost. After initial recognition, land is measured at fair value less any accumulated impairment in value. Valuations are performed with sufficient frequency to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. All of the Company's land properties had been revalued as determined by an independent firm of appraisers. The appraisal increment, net of the related tax effect, is credited to the "Revaluation increment" account included as other comprehensive income in the statement of comprehensive income and as other component of equity in the equity section of the statement of financial position, except to the extent that it reverses a revaluation decrease of the same asset previously recognized in the statement of income, in which case the increase is recognized in the statement of income.

A revaluation deficit is recognized in the statement of income, except that a deficit directly offsetting a previous surplus on the same asset is directly offset against the surplus in the asset revaluation reserve. Upon disposal, any revaluation increment relating to the particular asset being sold is transferred to retained earnings.

The initial cost of property and equipment consists of its purchase price, including import duties, taxes and any directly attributable costs of bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Company. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged in the statement of income in the period in which the costs are incurred.

Each part of an item of property and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately.

Depreciation is computed on a straight-line basis less its residual value over the estimated useful life (EUL) as follows:

| Category | Number of Years |
|---|---|
| Land improvements | 3 |
| Vessels, excluding drydocking costs and vessel tools and equipment | 35* |
| Drydocking costs | 3 |
| Container vans and improvements | 5-10 |

*(Forward)*

| Category | Number of Years |
|---|---|
| Buildings, warehouses, terminal premises and equipment and leasehold improvements | 3-10 |
| Office furniture and equipment | 5 |
| Transportation equipment | 5 |
| Vessel tools and equipment | 5 |

**From the time the vessel was built*

Major overhaul costs incurred during drydocking of vessels are capitalized and depreciated over a 3-year period or the next drydocking, whichever comes first. When significant drydocking costs are incurred prior to the expiry of the 3-year depreciation period, the remaining costs of the previous drydocking are written off in the period of the subsequent drydocking. Drydocking costs are recorded as part of "Vessels" under property and equipment.

Leasehold improvements are depreciated over their estimated useful lives or the term of the lease, whichever is shorter.

Fully depreciated property and equipment are retained in the accounts until these are no longer in use. An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from the continued use of the item.

Any gain or loss arising on derecognition of the property and equipment (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statement of income in the year the asset is derecognized.

The carrying amounts of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

Impairment of Nonfinancial Assets

The carrying values of the Company's nonfinancial assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If such indication exists, the Company estimates the asset's recoverable amount. If the carrying value exceeds the estimated recoverable amount, the assets or CGU is written-down to their recoverable amounts. The recoverable amount of the asset is the greater of the fair value less cost to sell or value in use (VIU). The fair value less cost to sell is the amount obtainable from the sale of an asset in an arms' length transaction between knowledgeable, willing parties, less costs of disposal. In assessing VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset. For an asset that does not generate largely independent cash losses are recognized in the statement of income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment loss may no longer exists or may have decreased. In such case, the recoverable amount is estimated. Any previously recognized impairment loss is reversed only when there is a change in estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. Accordingly, the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount of that would have been determined, net of depreciation and amortization, had no impairment loss been recognized in prior years. Such reversal is recognized in the statement of income unless the asset is carried at its revalued amount, in which case the reversal is treated as a revaluation increase. After such reversal, the depreciation or amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Revenue from Contracts with Customers

Revenue from contracts with customers is recognized when control of goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for the goods and services. The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent.

The disclosures of significant accounting judgments, estimates and assumptions relating to revenue from contracts with customers are provided in Note 4.

The specific recognition criteria for each type of revenue are as follows:

*Ocean freight*

Revenues derived from ocean freight services are recognized when the related services are rendered over time based on the on the estimated period travelled (number of days) of the cargoes or goods delivered over the period of the date of acceptance up to the delivery date.

*Other vessel revenue - Trucking*

Revenue from trucking services are recognized when the related services are rendered over time based on the timing of delivery (number of days) of the cargoes to the customer.

*Other vessel revenues - Storage*

Storage fees for each container van are recognized over time based on the number of days storage is availed of.

*Other vessel revenues - Port charges*

Revenues from port charges such as arrastre, wharfage, Lift On - Lift Off (LOLO), stevedoring and weighing fee, etc. are recognized over time based on the timing of the service performance (number of days).

Contract Balances

*Contract assets*

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

*Contract liability*

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Company performs under the contract.

Provisions

Provisions are recognized only when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Taxes

*Current income tax*

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the end of reporting period.

*Deferred income tax*

Deferred tax is provided using the liability method on temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss; and

- in respect of taxable temporary differences associated with investments in foreign subsidiaries and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits and unused tax losses, to the extent that it is probable that taxable income will be available against which the deductible temporary differences, and the carryforward benefits of unused tax credits and unused tax losses can be utilized except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss; and

- in respect of deductible temporary differences associated with investments in foreign subsidiaries and interests in joint ventures, deferred tax income assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable income will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each statement of financial position date and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of reporting period.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to offset current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the statement of income.

*Value-added Tax (VAT)*
Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable.

For its VAT-registered activities, when VAT from sale of services (Output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as VAT payable in the statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sale of services (Output VAT), the excess is recognized as an asset in the statement of financial position up to the extent of the recoverable amount.

Capital Stock
Capital stock is determined using the par value shares that have been issued. When the Company issues more than one class of stock, a separate account is maintained for each class of stock and number of shares issued.

The Company's capital stock pertains to common stock. Direct costs incurred related to the issuance of new common stock such as accounting and legal fees, printing costs and taxes are shown in equity as deduction, net of tax, from proceeds.

When the shares are sold at a premium, the difference between the proceeds and the par value is credited to the "Additional paid-in capital" account. When the shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received.

In case the shares are issued to extinguish or settle the liability of the Company, the shares shall be measured either at fair value of the share issued or fair value of the liability settled, whichever is more reliably determinable.

Retirement Benefit Obligation
The retirement benefit obligation is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in the statement of income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in the statement of income.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to the statement of income in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Company, nor can they be paid directly to the Company. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Earnings (Loss) per Share (EPS)
Basic EPS is calculated by dividing net income (loss) for the year attributable to common shareholders by the number of shares issued and outstanding at the end of the year after giving retroactive effect to regular stock dividends declared and stock rights exercised during the year, if any.

Leases

*Company as a lessee*

*ROU assets*
The Company recognizes ROU assets (included in 'Property and equipment') at the commencement date of the lease (i.e., the date the underlying asset is available for use). ROU assets are initially measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of ROU assets includes the amount of lease liabilities recognized, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized ROU assets are depreciated on a straight-line basis over the shorter of their estimated useful life and lease term as follows:

| Category | Number of Years |
| --- | --- |
| Container Yard | 1.5–7 |
| Container Vans | 2–5 |
| Warehouse and Equipment | 4-4.5 |
| Office Space | 2–7 |

ROU asset is subject to impairment in accordance with the Company's policy on impairment of nonfinancial assets.

*Lease liabilities*
At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

*Short-term leases and leases of low-value assets*
The Company applies the short-term lease recognition exemption to its short-term leases of container yard, container van, warehouse and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the leases of low-value assets recognition exemption to leases of that are considered of low value.
Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Contingencies
Contingent liabilities are not recognized in the financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but are disclosed when an inflow of economic benefits is probable.

Segment Reporting
The Company and its branches and agencies are operating as one reportable segment engaged in domestic inter-island cargo shipping activities within the Philippines. Therefore, neither business nor geographical segment information is presented.

Events After the Reporting Period
Post year-end events that provide additional information about the Company's financial position at the end of reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to financial statements when material.

## 4. Significant Accounting Judgments and Estimates

The preparation of the accompanying financial statements in accordance with PFRSs requires management to make judgments and estimates that affect the amounts reported in the financial statements and the accompanying notes. The judgments and estimates used in the accompanying financial statements are based upon management's evaluation of relevant facts and circumstances as of date of the financial statements. Actual results could differ from such estimates.

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

*Use of going concern assumption*
The use of the going concern assumption involves management making judgments, at a particular point in time, about the future outcome of events or conditions that are inherently uncertain. Management's assessment requires significant judgement that are based on assumptions which are subject to a higher level of estimation uncertainty due to the current economic conditions. Management takes into account a whole range of factors which include, but are not limited to, the forecasted level of revenue, gross margin, operating cost, capital expenditures, and maturity profile of debt and interest repayments and timing of significant cash flows used in the forecast, and the other potential sources of financing given the economic uncertainties caused by the rising fuel prices. The Company has no plans to liquidate. Management believes that it will be able to generate future income and obtain sources of financing. Accordingly, the financial statements are prepared on a going concern basis since management has future plans, including revenue enhancements and cost reduction programs, with regards to the Company as disclosed in Note 1.

*Revenue from contracts with customers*
The Company applied the judgment that significantly affect the determination of the amount and timing of revenue from contracts with customers:

- *Identifying performance obligations in a bundled freight revenue*
  The Company determined that the following performance obligations are capable of being distinct: (1) ocean freight revenue, (2) trucking services, (3) port charges, (4) storage. The Company has determined that these services are capable of being distinct in the context of the contract.

  Consequently, the Company allocated a portion of the transaction price to the different performance obligations, taking into consideration its stand-alone rates.

Estimations
The key assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date that have a significant risk causing material adjustments to the carrying amounts of the assets and liabilities within the next financial years are discussed below:

*Provision for ECL on trade receivables and contract assets*
The Company uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customers that have similar loss patterns (i.e., customer type and rating).

The provision matrix is initially based on the Company's historical observed default rates. The Company then calibrates the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (e.g. consumer price index) are expected to deteriorate over the next year which can lead to an increased number of defaults in the shipping and logistics sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Company's trade receivables and contract assets is disclosed in Note 6.

*Estimation of impairment of property and equipment*
The Company assesses at the end of each reporting period whether there is any indication that the property and equipment and other non-financial assets may be impaired. If such indication exists, the Company shall estimate the recoverable amount of the asset, which is the higher of an asset's fair value less costs to sell and its VIU. In estimating the VIU, the Company is required to make an estimate of the expected future cash flows from the CGU and also to choose an appropriate discount rate in order to calculate the present value of those cash flows.

Determining the recoverable amounts of property and equipment, which involves the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the use of estimates and assumptions that can materially affect the Company's financial statements. Future events could indicate that these property and equipment are impaired. Any resulting impairment loss could have a material adverse impact on the financial condition and results of operations of the Company. Refer to Note 9 for the assumptions used.

*Fair value of land properties*
The Company carries its land properties at revalued amount with changes in fair value recognized in OCI. The fair value of the Company's land is based on the valuation carried out by independent appraiser. The valuation was arrived by reference to market evidence of transaction prices of similar properties.

External appraisers used market approach to value the land properties by using sales comparison method in particular. The valuation analysis involved key assumptions such as listing prices of reasonably comparable properties and adjustments related to the characteristics of the land properties such as size, location, utility, and other relevant conditions.

The key assumptions used to determine the fair value of the land properties are provided in Note 9.

*Realizability of deferred tax assets*
The Company reviews the carrying amounts of deferred tax assets at reporting date and reduces it to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. Further details on taxes are disclosed in Note 22.

*Leases - Estimating the incremental borrowing rate*
The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate to measure lease liabilities. The incremental borrowing rate is the rate of interest that the Company would have pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment. The Company estimates the incremental borrowing rate using observable inputs like the risk-free rate and adjust it for factors such as the credit rating of the Company and the terms and conditions of the lease.

*Retirement benefit obligation*
The cost of the defined benefit obligation plan and the present value of the pension obligation are determined using an actuarial valuation. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Further details about retirement benefit obligation are provided in Note 18.

## 5. Cash and Cash Equivalents

| | **2023** | 2022 |
|---|---|---|
| Cash on hand | **₱728,000** | ₱672,000 |
| Cash in banks | **97,868,808** | 61,854,759 |
| Cash equivalents | **531,858** | – |
| | **₱99,128,666** | ₱62,526,759 |

Cash in banks earn interest at the respective bank deposit rates. Cash equivalents are short term deposits made for varying periods of up to three (3) months and earns interest at the respective short-term deposit rates.

Interest income, amounted to ₱0.09 million, ₱0.12 million and ₱0.18 million in 2023, 2022 and 2021, respectively (see Note 21).

## 6. Trade and Other Receivables and Contract Assets

| | **2023** | 2022 |
|---|---|---|
| Trade: | | |
| Third parties | **₱662,716,609** | ₱800,634,313 |
| Related parties (Note 25) | **54,836,252** | 70,219,600 |
| | **717,552,861** | 870,853,913 |
| Less allowance for ECL | **153,528,677** | 198,342,159 |
| | **564,024,184** | 672,511,754 |
| Non-trade - related parties (Note 25) | **20,904,133** | 9,281,841 |
| Others | **62,371,452** | 61,967,940 |
| | **₱647,299,769** | ₱743,761,535 |

a. Trade receivables are noninterest-bearing and have varying credit terms.

b. Non-trade receivables include advances to related parties for the rental of container yard, container vans, cost sharing of office space. These receivables are noninterest-bearing and collectible on demand.

c. Others include dues from social security system, claims, advances to employees, insurance and others. These receivables are noninterest-bearing.

d. The Company has contract assets amounting to ₱4.04 million and ₱9.42 million as of December 31, 2023 and 2022, respectively, which is net of allowance for ECL of ₱0.07 million and ₱2.11 million, respectively.

e. The rollforward of allowance for ECL on trade receivables and contract assets follows:

| | **December 31, 2023** | | |
|---|---|---|---|
| | **Trade Receivables** | **Contract Assets** | **Total** |
| Beginning balances | **₱198,342,159** | **₱2,108,840** | **₱200,450,999** |
| Provision/reversal for the year - net (Note 17) | **18,599,127** | **(2,036,722)** | **16,562,405** |
| Write off | **(63,412,609)** | **–** | **(63,412,609)** |
| Ending balances | **₱153,528,677** | **₱72,118** | **₱153,600,795** |

| | December 31, 2022 | | |
|---|---|---|---|
| | Trade Receivables | Contract Assets | Total |
| Beginning balances | ₱155,490,506 | ₱2,108,840 | ₱157,599,346 |
| Provision for the year - net (Note 17) | 42,851,653 | – | 42,851,653 |
| Ending balances | ₱198,342,159 | ₱2,108,840 | ₱200,450,999 |

## 7. Inventories

As of December 31, 2023 and 2022, fuel, diesel and lubricants amounted to ₱61.47 million and ₱78.45 million, respectively. These are carried at cost, which is lower than the net realizable value.

Fuel and supplies inventories recorded as expenses in 2023, 2022 and 2021 are as follows (see Notes 15, 16 and 17):

| | **2023** | 2022 | 2021 |
|---|---|---|---|
| Cost of services (Note 15) | **₱774,171,490** | ₱944,173,818 | ₱654,742,749 |
| Terminal expenses (Note 16) | **61,373,424** | 61,934,774 | 48,324,063 |
| General and administrative expenses (Note 17) | **3,711,409** | 3,226,453 | 2,873,947 |
| Total | **₱839,256,323** | ₱1,009,335,045 | ₱705,940,759 |

## 8. Prepayments and Other Current Assets

| | **2023** | 2022 |
|---|---|---|
| CWTs | **₱28,359,240** | ₱27,413,118 |
| Input VAT | **76,088,568** | 27,694,358 |
| Prepaid expenses | **12,388,589** | 10,477,224 |
| Advances to suppliers | **84,863,585** | 69,398,584 |
| Others | **1,838,068** | – |
| | **₱203,538,050** | ₱134,983,284 |

CWTs represent the current portion of the amount withheld by the Company's customers in relation to its sale of services. These are recognized when the related sales are earned and are utilized as tax credits against income tax due as allowed by the Philippine taxation laws and regulations.

Prepaid expenses include prepaid insurance and prepaid importation charges.

## 9. Property and Equipment

a. At Cost

### December 31, 2023

| | Vessels and Drydocking Costs | Container Vans and Improvements | Buildings, Warehouses, and Terminal Premises | Leasehold improvement | Machinery and Equipment | Office Furniture and Equipment | Transportation Equipment | Vessel Tools and Equipment | Construction-in-Progress | ROU Assets | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | | | | |
| Balances at January 1, 2023 | ₱2,162,349,079 | ₱421,964,466 | ₱15,255,771 | ₱65,023,167 | ₱296,168,592 | ₱79,519,775 | ₱28,369,682 | ₱378,383,212 | ₱14,554,928 | ₱193,120,622 | ₱3,654,709,294 |
| Additions | 110,287,465 | – | 2,142,858 | 142,858 | – | 1,258,286 | 5,720,536 | 14,256,551 | 88,472 | 209,688,638 | 343,585,664 |
| Disposal | – | (1,839,234) | – | – | – | – | – | – | – | – | (1,839,234) |
| Derecognition | – | – | – | – | – | – | – | – | – | (10,193,187) | (10,193,187) |
| Modification | – | – | – | – | – | – | – | – | – | 234,471 | 234,471 |
| Reclassification | 13,304,114 | – | 1,339,286 | – | – | – | – | – | (14,643,400) | – | – |
| Balances at December 31, 2023 | 2,285,940,658 | 420,125,232 | 18,737,915 | 65,166,025 | 296,168,592 | 80,778,061 | 34,090,218 | 392,639,763 | – | 392,850,544 | 3,986,497,008 |
| **Accumulated depreciation** | | | | | | | | | | | |
| Balances at January 1, 2023 | 1,290,504,490 | 395,466,833 | 13,799,147 | 59,149,946 | 256,942,894 | 76,868,287 | 27,446,384 | 301,376,879 | – | 122,052,009 | 2,543,606,869 |
| Depreciation for the year (Notes 15, 16 and 17) | 112,598,543 | 43,960 | 1,186,200 | 1,136,331 | 3,353,411 | 1,451,310 | 286,111 | 26,804,315 | | 67,221,937 | 214,082,118 |
| Derecognition | – | – | – | – | – | – | – | – | – | (10,193,187) | (10,193,187) |
| Disposals | – | (1,671,314) | – | – | – | – | – | – | – | – | (1,671,314) |
| Balances at December 31, 2023 | 1,403,103,033 | 393,839,479 | 14,985,347 | 60,286,277 | 260,296,305 | 78,319,597 | 27,732,495 | 328,181,194 | – | 179,080,759 | 2,745,824,486 |
| **Net book values** | ₱882,837,625 | ₱26,285,753 | ₱3,752,568 | ₱4,879,748 | ₱35,872,287 | ₱2,458,464 | ₱6,357,723 | ₱64,458,569 | ₱– | ₱213,769,785 | ₱1,240,672,522 |

### December 31, 2022

| | Vessels and Drydocking Costs | Container Vans and Improvements | Buildings, Warehouses, and Terminal Premises | Leasehold improvement | Machinery and Equipment | Office Furniture and Equipment | Transportation Equipment | Vessel Tools and Equipment | Construction-in-Progress | ROU Assets | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Cost | | | | | | | | | | | |
| Balances at January 1, 2022 | ₱2,095,704,498 | ₱421,964,466 | ₱14,452,200 | ₱64,667,363 | ₱294,757,515 | ₱77,924,917 | ₱28,369,682 | ₱347,054,337 | ₱– | ₱412,979,570 | ₱3,757,874,548 |
| Additions | 66,644,581 | – | 803,571 | 355,804 | 1,411,077 | 1,594,858 | – | 31,328,875 | 14,554,928 | 19,033,344 | 135,727,038 |
| Derecognition | – | – | – | – | – | – | – | – | – | (238,892,292) | (238,892,292) |
| Balances at December 31, 2022 | 2,162,349,079 | 421,964,466 | 15,255,771 | 65,023,167 | 296,168,592 | 79,519,775 | 28,369,682 | 378,383,212 | 14,554,928 | 193,120,622 | 3,654,709,294 |
| Accumulated depreciation | | | | | | | | | | | |
| Balances at January 1, 2022 | 1,199,088,491 | 395,371,485 | 13,401,296 | 58,053,934 | 253,707,072 | 75,418,033 | 27,343,082 | 277,004,005 | – | 325,154,230 | 2,624,541,628 |
| Depreciation for the year (Notes 15, 16 and 17) | 91,415,999 | 95,348 | 397,851 | 1,096,012 | 3,235,822 | 1,450,254 | 103,302 | 24,372,874 | – | 35,790,071 | 157,957,533 |
| Derecognition | – | – | – | – | – | – | – | – | – | (238,892,292) | (238,892,292) |
| Balances at December 31, 2022 | 1,290,504,490 | 395,466,833 | 13,799,147 | 59,149,946 | 256,942,894 | 76,868,287 | 27,446,384 | 301,376,879 | – | 122,052,009 | 2,543,606,869 |
| Net book values | ₱871,844,589 | ₱26,497,633 | ₱1,456,624 | ₱5,873,221 | ₱39,225,698 | ₱2,651,488 | ₱923,298 | ₱77,006,333 | ₱14,554,928 | ₱71,068,613 | ₱1,111,102,425 |

b. ROU Assets

The following are the leased assets that qualifies under the criteria of PFRS 16 as at December 31, 2023 and 2022:

| | Container Yards | Office Space | Container Vans | Warehouse and Equipment | Total |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| **Balances at January 1, 2023** | **₱75,402,865** | **₱39,544,214** | **₱58,594,714** | **₱19,578,829** | **₱193,120,622** |
| **Additions** | **6,557,485** | **748,729** | **49,106,199** | **153,276,225** | **209,688,638** |
| **Derecognition** | – | – | **(10,193,187)** | – | **(10,193,187)** |
| **Modification** | – | **234,471** | – | – | **234,471** |
| **Balances at December 31, 2023** | **81,960,350** | **40,527,414** | **97,507,726** | **172,855,054** | **392,850,544** |
| **Accumulated depreciation** | | | | | |
| **Balances at January 1, 2023** | **34,424,457** | **13,491,556** | **54,557,167** | **19,578,829** | **122,052,009** |
| **Depreciation for the year** | **17,485,954** | **6,082,194** | **8,621,020** | **35,032,769** | **67,221,937** |
| **Derecognition** | – | – | **(10,193,187)** | – | **(10,193,187)** |
| **Balances at December 31, 2023** | **51,910,411** | **19,573,750** | **52,985,000** | **54,611,598** | **179,080,759** |
| **Net book values** | **₱30,049,939** | **₱20,953,664** | **₱44,522,726** | **₱118,243,456** | **₱213,769,785** |

| | Container Yards | Office Space | Container Vans | Warehouse and Equipment | Total |
|---|---|---|---|---|---|
| Cost | | | | | |
| Balances at January 1, 2022 | ₱129,756,655 | ₱39,544,214 | ₱214,162,879 | ₱29,515,822 | ₱412,979,570 |
| Additions | 8,840,157 | – | 10,193,187 | – | 19,033,344 |
| Derecognition | (63,193,947) | – | (165,761,352) | (9,936,993) | (238,892,292) |
| Balances at December 31, 2022 | 75,402,865 | 39,544,214 | 58,594,714 | 19,578,829 | 193,120,622 |
| Accumulated depreciation | | | | | |
| Balances at January 1, 2022 | 78,277,890 | 7,908,843 | 209,752,795 | 29,214,702 | 325,154,230 |
| Depreciation for the year | 19,340,514 | 5,582,713 | 10,565,724 | 301,120 | 35,790,071 |
| Derecognition | (63,193,947) | – | (165,761,352) | (9,936,993) | (238,892,292) |
| Balances at December 31, 2022 | 34,424,457 | 13,491,556 | 54,557,167 | 19,578,829 | 122,052,009 |
| Net book values | ₱40,978,408 | ₱26,052,658 | ₱4,037,547 | ₱– | ₱71,068,613 |

c. <u>At Revalued Amount</u>

The Company accounts for its Bacolod land properties using the revaluation model. The carrying amount of the land at revalued amount as at December 31, 2023 and 2022 amounted to ₱175.90 million.

Movements in the revaluation increment net of tax, recognized directly in equity are as follows:

| | **2023** | 2022 |
|---|---|---|
| Balances at beginning of year | **₱72,643,023** | ₱58,508,523 |
| Additions | **–** | 14,134,500 |
| Balances at end of year | **₱72,643,023** | ₱72,643,023 |

The Company engaged independent appraiser to determine the fair value of the following properties:

| Location | Area in Square Meters | **2023** | 2022 | Highest and Best Use |
|---|---|---|---|---|
| Bacolod | | | | |
| Lot 1 | 3,782 | **₱105,896,000** | ₱105,896,000 | Commercial warehousing/ logistics facility |
| Lot 2 | 2,500 | **70,000,000** | 70,000,000 | Commercial warehousing/ logistics facility |
| | | **₱175,896,000** | ₱175,896,000 | |

The fair values were estimated through the market approach by using sales comparison method in particular. The valuation analysis involved key assumptions such as listing prices of reasonably comparable properties and adjustments related to the characteristics of the land properties such as size, location, utility, and other relevant conditions.

Key unobservable inputs (Level 3) used to measure the fair value of the land is the price per square meter ranging from ₱28,000 and ₱25,000 in 2023 and 2022, depending on the property.

Significant increases (decreases) in estimated price per square meter in isolation would result in a significantly higher (lower) fair value on a linear basis.

The Company uses the land as a container yard for shipments not directly delivered to the customer's warehouse and awaiting for loading to the vessels. Having the use of the land as a container yard and warehouse facility reduces the cost of rent from other warehouse or container yard. In addition, the land is located within a port related development, where the prevailing land use for related activities, as well as the neighboring area, are in the nature of commercial warehousing and logistics facilities. Thus, the Company assessed that the highest and best use of the property does not differ from their current use.

If the land properties were measured using the cost model, the carrying value of the land would be ₱79.04 million as at December 31, 2023 and 2022.

d. To ensure the maintenance of the vessels in accordance with international standards, the Company has availed of the services of a related party to oversee the regular upgrading and maintenance of the vessels (see Note 25).

e. The balance of property and equipment as of December 31, 2023 and 2022 includes fully-depreciated assets still in use amounting to ₱1.76 billion and ₱1.75 billion, respectively.

f. Certain vessels with carrying values of ₱304.06 million and ₱321.82 million as of December 31, 2023 and 2022, respectively, are used as chattel mortgage securities for long-term borrowings (see Note 13).

The Company had various disposals of its property and equipment with proceeds amounting to ₱0.86 million, nil and ₱0.34 million in 2023, 2022 and 2021, respectively, resulting in a gain on disposal of ₱0.70 million, nil and ₱0.29 million in 2023, 2022 and 2021, respectively.

g. The Company performed impairment testing on its property and equipment in 2023 and 2022. The recoverable amount of the CGU has been determined based on a VIU calculation using cash flow projections from financial budgets approved by the board of directors. The projected cash flows have been updated to reflect the demand for services taking into consideration the impact of the rising fuel prices. The Company's entire container vessels' operation is determined to be its CGU.

   The pre-tax discount rate applied to cash flow projection is 9.6% in 2023 and 10.2% in 2022. As a result of this analysis, management concluded that the property and equipment is not impaired.

   The calculation of VIU of the CGU is most sensitive to the following assumptions:

   - Revenue growth rates
   - Discount rate

   *Revenue growth rates*
   Average growth rate in revenues is based on the Company's expectation of market developments and the changes in the environment in which it operates. The Company uses revenue growth rates of 2.80%, based on past historical performance as well as expectations on the results of its strategies.

   *Discount rate*
   The discount rate used is the pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the asset. The Company used discount rate based on the Company's WACC. The rate used to discount the future cash flows is based on risk-free interest rates in the relevant markets where the Company is domiciled taking into consideration the debt premium, market risk premium, gearing, corporate tax rate and asset beta. Discount rates used by the Company are 8.8% in 2023 and 9.0% in 2022.

   *Capital expenditure*
   In computing the value-in-use, estimates of future cash flows include future cash outflows necessary to maintain the level of economic benefits expected to arise from the asset in its current condition. Capital expenditures that improve or enhance the asset's performance therefore are not included. This enhancement capital expenditure, such as maintenance, is excluded from value-in-use analysis since this has not yet been incurred as at valuation date.

h. Construction in progress pertains to on-going vessel drydocking of MV Lorcon General Santos and MV Lorcon Bacolod amounting to ₱13.3 million and Cebu Office renovation amounting to ₱1.25 million as at December 31, 2022. The renovation of the Cebu Office was completed on December 31, 2023 and the drydocking of MV Lorcon General Santos and MV Lorcon Bacolod were completed on September 30, 2023.

## 10. **Computer Software**

| | **2023** | 2022 |
|---|---|---|
| Cost | **₱4,479,168** | ₱4,479,168 |
| Accumulated amortization: | | |
| Beginning balance | **522,570** | – |
| Amortization (Note 16) | **895,833** | 522,570 |
| Ending balance | **1,418,403** | 522,570 |
| Net book values | **₱3,060,765** | ₱3,956,598 |

Computer software pertain to acquired Synchronized Access and Integrated Link (SAIL) used for the Company's operation. No impairment loss was recognized for software and licenses since management believes that the future benefits will accrue to the Company over the assets' remaining useful life.

Computer software is amortized on a straight-line basis over its estimated useful economic life of five (5) years and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

## 11. **Other Noncurrent Assets**

| | **2023** | 2022 |
|---|---|---|
| CWTs - net of current portion | **₱526,253,103** | ₱502,497,750 |
| Deferred input VAT | **108,036,651** | 91,377,540 |
| Deposits - net of allowance for impairment loss amounting to ₱4.10 million in 2023 and 2022 | **16,477,051** | 15,934,950 |
| Others | **525,277** | 525,277 |
| | **₱651,292,082** | ₱610,335,517 |

CWTs represent the noncurrent portion of the amount withheld by the Company's customers in relation to its sale of services. These are classified as noncurrent due to assessment of the Company that these CWTs are not realizable within 12 months after the reporting date.

Deferred input VAT relates primarily to the major capital expenditures and dry docking of vessels. Deposits consist of amounts paid for rental deposits which are refundable at the end of the lease term.

## 12. **Accounts Payable and Other Current Liabilities**

| | **2023** | 2022 |
|---|---|---|
| Trade: | | |
| Third parties | **₱548,950,185** | ₱522,341,749 |
| Related parties (Note 25) | **539,274,054** | 654,082,528 |
| Output VAT payable | **90,952,770** | 26,618,743 |
| Deferred output VAT | **65,549,598** | 81,027,751 |
| Accrued expenses: | | |
| Outside services | **55,788,153** | 52,222,830 |
| General and administrative | **52,957,020** | 46,329,769 |
| Repairs, maintenance and supplies for vessels | **15,363,660** | 15,174,544 |
| Hustling, trucking and labor services | **4,188,311** | 5,498,255 |
| Other taxes payable | **8,201,117** | 8,968,657 |
| Other accrued expenses | **4,027,727** | 5,425,704 |
| Amounts owed to a related parties (Note 25) | **192,894,192** | 224,336,461 |
| Others | **7,540,673** | 7,753,878 |
| Total | **₱1,585,687,460** | ₱1,649,780,869 |

Trade payables are non-interest bearing and are normally settled within 12 months from the end of the reporting period.

Output VAT payable pertains to VAT liabilities for the Company's billed services collected as at reporting date.

Deferred output VAT from uncollected services shall be recognized as application to input once collected from customers.

Accrued expenses are obligations on the basis of normal credit terms and do not bear interest. These pertain to accruals made based on prior month's billings and/or contracts of the Company and are normally settled within 12 months from the end of the reporting period.

Outside services includes cargo and port expenses incurred in relation to the Company's normal shipping operations.

Others include payroll-related expenses incurred but not yet paid and accruals for payment to retired employees outside of the retirement fund.

## 13. Borrowings

Short-term borrowings consist of:

| | **2023** | 2022 |
|---|---|---|
| Bank of the Philippine Islands (BPI) | **₱168,885,000** | ₱169,885,000 |
| Banco de Oro Unibank Inc. (BDO) | **97,878,292** | 59,355,916 |
| Metropolitan Bank and Trust Company (MBTC) | **34,200,000** | 46,400,000 |
| Chinabank Corporation (CBC) | **41,000,000** | 45,000,000 |
| | **₱341,963,292** | ₱320,640,916 |

Movements in short-term debt recognized in the statement of financial position are as follows:

| | **2023** | 2022 |
|---|---|---|
| Balances at beginning of year | **₱320,640,916** | ₱368,272,360 |
| Net availments (payments) | **21,322,376** | (47,631,444) |
| Balances at end of year | **₱341,963,292** | ₱320,640,916 |

Short-term borrowings from local banks bear annual interest at 5.90% to 8.50% and 4.00% to 8.30% in 2023 and 2022, respectively. Short-term borrowings are generally not secured, however, the Company's short-term loan with Banco de Oro Unibank Inc. (BDO) is secured by the Company's receivables.

Long-term borrowings consist of:

| | 2023 | 2022 |
|---|---|---|
| Balance of loan obtained from RCBC of ₱137.00 million, availed last May 6, 2020 and will mature on May 6, 2027. The loan is payable monthly in 72 equal monthly installments starting May 6, 2021. Annual interest rate is equal to the BVAL plus 2.5% spread. Interest rate ranges from 4.46% to 8.78% in 2023, 4.33% to 4.46% in 2022, and 4.33% in 2021. | **₱78,013,890** | ₱100,847,223 |
| Balance of loan obtained from China Banking Corporation (CBC) of ₱200.00 million, availed of last September 9, 2015 and will mature on September 9, 2025. The loan is payable quarterly in 36 equal quarterly installments starting December 9, 2016. Annual interest rate is equal to 90-day BVAL rate plus 1.25% inclusive of GRT and BSP overnight borrowing rate plus spread of 0.125% inclusive of GRT, whichever is higher, subject to quarterly repricing. Interest rate ranges from 6.00% to 8.00% in 2023 and 4.75% to 6.00% in 2022 and 4.33% to 7.25% in 2021. | **38,888,889** | 61,111,111 |
| Balance of loan obtained from CBC of ₱200.00 million, maturing on October 22, 2024 and payable quarterly in 36 equal quarterly installments starting January 22, 2016. Annual interest rate is equal to BVAL rate plus 1.25% inclusive of Gross Receipts Tax rate (GRT) and Bangko Sentral ng Pilipinas (BSP) overnight borrowing rate plus spread of 0.125% inclusive of GRT, whichever is higher, subject to quarterly repricing. Interest rate ranges from 5.20% to 7.75% in 2023, 4.75% to 5.25% in 2022 and 4.33% to 7.25% in 2021. | **22,222,222** | 44,444,445 |
| Balance of loan obtained from UBP of ₱70.00 million, availed of last May 12, 2021 and matured on May 13, 2023. The loan is payable quarterly starting August 11, 2021. Annual interest rate ranges from 6.50% to 7.25% in 2023 and 7.25% to 6.50% in 2022. | – | 34,000,000 |
| | **139,125,001** | 240,402,779 |
| Less deferred financing costs | **(291,641)** | (595,049) |
| | **138,833,360** | 239,807,730 |
| Less current portion | **(67,120,578)** | (101,581,177) |
| Noncurrent portion | **₱71,712,782** | ₱138,226,553 |

Movements in long-term debt recognized in the statement of financial position are as follows:

| | **2023** | 2022 |
|---|---|---|
| Balances at beginning of year | **₱239,807,730** | ₱330,839,633 |
| Amortization of deferred financing cost | **303,408** | 245,875 |
| Payments | **(101,277,778)** | (91,277,778) |
| Balances at end of year | **₱138,833,360** | ₱239,807,730 |

As of December 31, 2023 and 2022, the Company did not meet the minimum current and debt service coverage ratios required under the Company's long-term loan agreement with RCBC. Prior to year-end, the Company's lender issued a waiver of default action against the breach of loan covenants as of December 31, 2023 and 2022. Accordingly, the Company continues to pay long-term loans based on original credit terms.

These long-term borrowings are secured by chattel mortgages on certain vessels with carrying values of ₱304.06 million and ₱321.82 million as of December 31, 2023 and 2022, respectively (see Note 9).

Deferred financing costs were incurred in connection with the financing arrangement. These costs are amortized using the effective interest method over the term of the related loans.

Rollforward analysis of deferred financing costs follow:

| | **2023** | 2022 |
|---|---|---|
| Balances at beginning of year | **₱595,049** | ₱840,924 |
| Amortization for the year | **(303,408)** | (245,875) |
| Balances at end of year | **₱291,641** | ₱595,049 |

Interest paid on short-term and long-term borrowings amounted to ₱42.28 million, ₱40.56 million and ₱35.00 million in 2023, 2022 and 2021, respectively.

## 14. Freight Revenue

Disaggregated Revenue Information

Set out below is the disaggregation of the Company's revenue from contracts with customers.

| | **2023** | 2022 | 2021 |
|---|---|---|---|
| Ocean freight | **₱2,096,438,386** | ₱2,205,498,246 | ₱1,823,841,858 |
| Other vessel revenues: | | | |
| Trucking | **388,921,901** | 396,298,920 | 376,572,693 |
| Port charges | **776,641,858** | 674,273,456 | 654,184,178 |
| Storage | **18,894,562** | 23,400,816 | 17,343,907 |
| | **₱3,280,896,707** | ₱3,299,471,438 | ₱2,871,942,636 |

Contract Balances

*Trade receivables*

The Company's trade receivables, net of allowance for ECL, amounted to ₱564.02 million and ₱672.51 million as at December 31, 2023 and 2022, respectively (see Note 6).

*Contract assets*
The Company's contract assets amounted to ₱4.04 million and ₱9.42 million as at December 31, 2023 and 2022, respectively (see Note 6).

*Performance obligations and timing of revenue recognition*
The Company's performance obligations represent ocean freight and other vessel related revenues such as trucking, port charges and storage which are generally satisfied over time once the related services are performed.

## 15. Cost of Services

| | **2023** | 2022 | 2021 |
|---|---|---|---|
| Materials, supplies and facilities (Note 7) | **₱774,171,490** | ₱944,173,818 | ₱654,742,749 |
| Outside services | | | |
| Trucking | **542,147,275** | 508,604,057 | 576,299,957 |
| Sea transport service | **240,240,433** | 290,155,909 | 324,191,419 |
| Arrastre | **222,233,257** | 245,603,760 | 272,234,225 |
| Cargo charges | **180,587,115** | 166,445,156 | 147,336,812 |
| Craneage | **130,319,247** | 126,477,316 | 110,114,600 |
| Stevedoring charges | **78,094,631** | 90,732,493 | 86,071,911 |
| Vessel related charges | **66,308,390** | 63,992,034 | 59,863,950 |
| Container rental (Note 26) | **39,580,855** | 45,281,883 | 29,948,167 |
| Depreciation (Note 9) | **139,402,857** | 115,788,872 | 133,710,837 |
| Voyage | **75,762,708** | 84,010,994 | 73,551,074 |
| Personnel cost (Note 19) | **72,514,476** | 60,218,006 | 54,389,747 |
| Vessel insurance | **63,605,044** | 55,354,943 | 50,640,266 |
| Taxes and licenses | **2,596,670** | 3,873,633 | 3,849,574 |
| Others | **12,735,653** | 24,154,677 | 23,329,416 |
| | **₱2,640,300,101** | ₱2,824,867,551 | ₱2,600,274,704 |

## 16. Terminal Expenses

| | **2023** | 2022 | 2021 |
|---|---|---|---|
| Depreciation (Notes 9 and 10) | **₱68,117,771** | ₱36,312,643 | ₱65,548,324 |
| Materials, supplies and facilities (Note 7) | **61,373,424** | 61,934,774 | 48,324,063 |
| Personnel cost (Note 19) | **40,537,547** | 26,003,526 | 23,027,466 |
| Outside services | **34,658,963** | 32,824,323 | 35,201,635 |
| Rental (Note 26) | **23,105,188** | 62,920,932 | 23,374,697 |
| Lift-on/lift-off (LOLO) charges | **6,800,122** | 6,658,927 | 11,558,550 |
| Others: | | | |
| Utilities | **5,851,626** | 6,188,800 | 4,500,595 |
| Office supplies | **1,479,932** | 2,798,307 | 3,661,018 |
| Taxes and licenses | **1,679,578** | 878,204 | 2,000,722 |
| Container van insurance | **581,744** | 486,046 | 470,108 |
| Other terminal charges | **5,129,004** | 3,208,396 | 2,538,253 |
| | **₱249,314,899** | ₱240,214,878 | ₱220,205,431 |

Outside services include security and temporary services.

## 17. General and Administrative Expenses

| | **2023** | 2022 | 2021 |
|---|---|---|---|
| Personnel cost (Note 19) | **₱68,838,936** | ₱45,667,045 | ₱36,289,933 |
| Outside services | **45,972,785** | 39,352,354 | 36,579,658 |
| Provision for ECL on trade receivables and contract assets (Note 6) | **16,562,405** | 42,851,653 | 26,980,928 |
| Taxes and licenses | **43,306,081** | 26,754,637 | 14,175,556 |
| Depreciation (Note 9) | **7,457,323** | 6,378,588 | 9,208,795 |
| Communication, light and water | **7,316,530** | 7,221,105 | 7,272,931 |
| Transportation and travel | **5,882,870** | 2,485,773 | 1,054,681 |
| Employees' training and staff meeting | **2,567,103** | 946,890 | 498,115 |
| Supplies (Note 7) | **3,711,409** | 3,226,453 | 2,873,947 |
| Service fees | **2,251,049** | 2,219,180 | 766,713 |
| Repairs and maintenance | **1,896,590** | 2,110,792 | 1,061,022 |
| Rental (Note 26) | **1,539,850** | 1,868,495 | 2,678,561 |
| Entertainment, amusement and recreation | **1,061,330** | 625,291 | 705,226 |
| Advertising | **223,597** | 161,830 | 28,571 |
| IT subscription licenses | **176,800** | 259,564 | 180,584 |
| Others | **8,751,496** | 4,091,517 | 1,740,484 |
| | **₱217,516,154** | ₱186,221,167 | ₱142,095,705 |

## 18. Retirement Benefit Obligation

The existing regulatory framework, Republic Act 7641, *Retirement Pay Law*, requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

The Company maintains a funded, tax qualified, non-contributory retirement plan (the Plan) covering all its eligible employees. Under the provisions of the plan, the normal retirement age is 60 for sea-based employees with completion of at least 5 years of service and age of 60 for shore-based employees hired before August 1, 2021 and age of 60 and 5 years of service for shore-based employees hired on or after August 1, 2021. Hired before August 1, 2021, shore-based employees at age 50 with at least 10 years of credited services can avail of an early retirement and at age 55 and 15 years of credited service for those hired on or after August 1, 2021.

The Company's retirement benefit fund ("Fund") is in the form of a trust being maintained and managed by BPI Asset Management.

The following tables summarize the components of net benefit expense recognized in the statements of income and the funded status and amounts recognized in the statements of financial position for the Plan.

Retirement expense recognized in the statements of income:

| | **2023** | 2022 | 2021 |
|---|---|---|---|
| Current service cost | **₱5,049,501** | ₱5,786,942 | ₱3,055,498 |
| Net interest cost | **4,802,581** | 3,825,733 | 1,806,780 |
| Past service cost | – | – | 110,878 |
| | **₱9,852,082** | ₱9,612,675 | ₱4,973,156 |

Actuarial losses (gains) recognized in other comprehensive income are as follows:

| | **2023** | 2022 | 2021 |
|---|---|---|---|
| Actuarial losses (gains) on defined benefit obligation due to: | | | |
| Changes in financial assumptions | **₱7,417,343** | (₱12,446,508) | (₱9,730,920) |
| Experience adjustments | **3,753,132** | 311,320 | 7,428,970 |
| Return on assets excluding amount included in net interest cost | **146,096** | 216,199 | 23,168 |
| | **₱11,316,571** | (₱11,918,989) | (₱2,278,782) |

Cumulative re-measurement effects recognized in OCI:

| | **2023** | 2022 |
|---|---|---|
| Balances at beginning of year | **(₱17,850,964)** | (₱29,769,953) |
| Actuarial gains (losses) | **(11,316,571)** | 11,918,989 |
| | **(29,167,535)** | (17,850,964) |
| Income tax effect | **561,565** | – |
| | **(₱28,605,970)** | (₱17,850,964) |

Movements in the retirement benefit obligation are as follows:

| | **2023** | 2022 |
|---|---|---|
| Balances at beginning of year | **₱76,547,471** | ₱85,877,865 |
| Benefits paid | **(3,633,770)** | (7,024,080) |
| Current service cost | **5,049,501** | 5,786,942 |
| Net interest cost | **4,802,581** | 3,825,733 |
| Actual return excluding amount included in net interest cost | **146,096** | 216,199 |
| Actuarial losses (gains) due to: | | |
| Changes in financial assumptions | **7,417,343** | (12,446,508) |
| Experience adjustments | **3,753,132** | 311,320 |
| Transferred obligation | **11,528,654** | – |
| | **₱105,611,008** | ₱76,547,471 |

Retirement benefit obligation as presented in the statement of financial position:

| | **2023** | 2022 |
|---|---|---|
| Present value of defined benefit obligation | **₱106,218,365** | ₱77,127,709 |
| Fair value of plan assets | **(607,357)** | (580,238) |
| Retirement benefit obligation | **₱105,611,008** | ₱76,547,471 |

Changes in the present value of the defined benefit obligation are as follows:

| | 2023 | 2022 |
|---|---|---|
| Balances at beginning of year | **₱77,127,709** | ₱86,466,956 |
| Current service costs | **5,049,501** | 5,786,942 |
| Interest cost | **4,975,796** | 4,033,079 |
| Actuarial losses (gains) due to: | | |
| Changes in financial assumptions | **7,417,343** | (12,446,508) |
| Experience adjustments | **3,753,132** | 311,320 |
| Benefits paid for voluntary separation | **(3,633,770)** | (7,024,080) |
| Net acquired obligation due to employee transfers | **11,528,654** | – |
| Balances at end of year | **₱106,218,365** | ₱77,127,709 |

Changes in the fair value of plan assets are as follows:

| | 2023 | 2022 |
|---|---|---|
| Balances at beginning of year | **₱580,238** | ₱589,091 |
| Interest income included in net interest cost | **173,215** | 207,346 |
| Actual return excluding amount included in net interest cost | **(146,096)** | (216,199) |
| Balances at end of year | **₱607,357** | ₱580,238 |

The fair value of plan assets by each class as at the end of the reporting period are as follows:

| | 2023 | 2022 |
|---|---|---|
| Cash and fixed-income investments | **₱607,357** | ₱580,238 |

All equity instruments held have quoted prices in active market. The remaining plan assets do not have quoted market prices in active market. The plan assets have diverse investments and do not have any concentration risk.

The principal assumptions used as of December 31, 2023 and 2022 in determining pension benefit obligations for the Company's Plan are shown below:

| | 2023 | 2022 |
|---|---|---|
| Discount rate | **6.06%** | 7.12% |
| Salary increase rate: | | |
| Land-based | **3.00%** | 3.00% |
| Sea-based | **3.00%** | 3.00% |

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of December 31, 2023 and 2022, assuming all other assumptions were held constant:

**As of December 31, 2023**

| | Increase (decrease) | Effect on defined benefit obligation |
|---|---|---|
| **Discount rate** | **+100 basis points** | **(₱7,038,544)** |
| | **–100 basis points** | **₱7,958,766** |
| **Salary increase rate** | **+100 basis points** | **₱8,650,938** |
| | **–100 basis points** | **(₱7,756,789)** |

As of December 31, 2022

| | Increase (decrease) | Effect on defined benefit obligation |
|---|---|---|
| Discount rate | +100 basis points | (₱4,826,665) |
| | –100 basis points | 5,424,952 |
| Salary increase rate | +100 basis points | ₱5,978,258 |
| | –100 basis points | (5,387,542) |

The Company expects to contribute ₱23,705,465 to the retirement fund in 2024.

The average duration of the defined benefit obligation is 9.34 years and 8.57 years as of December 31, 2023 and 2022, respectively.

## 19. **Personnel Cost**

| | **2023** | 2022 | 2021 |
|---|---|---|---|
| Salaries and wages | **₱144,224,688** | ₱100,313,535 | ₱87,109,523 |
| Other employee benefits | **27,814,189** | 21,962,367 | 21,624,467 |
| Retirement expense (Note 18) | **9,852,082** | 9,612,675 | 4,973,156 |
| | **₱181,890,959** | ₱131,888,577 | ₱113,707,146 |

## 20. **Finance Costs and Other Charges**

| | **2023** | 2022 | 2021 |
|---|---|---|---|
| Interest expense on: | | | |
| Borrowings: | | | |
| Short -term borrowings | **₱34,897,094** | ₱20,849,601 | ₱19,252,299 |
| Long-term borrowings | **15,731,507** | 20,594,869 | 17,502,349 |
| Lease liabilities (Note 26) | **16,877,602** | 6,708,995 | 9,525,654 |
| Bank and other financing charges | **1,137,552** | 2,651,949 | 1,164,088 |
| | **₱68,643,755** | ₱50,805,414 | ₱47,444,390 |

## 21. **Other Income (Charges)** - Net

| | **2023** | 2022 | 2021 |
|---|---|---|---|
| Rental income and others | **₱3,127,353** | ₱2,733,078 | ₱1,390,447 |
| Income (loss) from insurance claims | **(2,278,737)** | 23,028,583 | 50,737,072 |
| Net foreign exchange losses | **(1,617,408)** | (4,559,443) | (2,927,371) |
| Interest income from bank deposits (Note 5) | **91,621** | 117,002 | 180,609 |
| Gain on disposal of property and equipment - net (Note 9) | **697,008** | – | 288,295 |
| | **₱19,837** | ₱21,319,220 | ₱49,669,052 |

Income from insurance claims refers to shipping, container LOLO and other claims, which are part of the normal operating cycle of the Company, collected during the year.

## 22. Income Taxes

The Company's current provision for income tax represents regular corporate income tax (RCIT) in 2023 and 2022 and minimum corporate income tax (MCIT) in 2021.

The reconciliation of income tax computed at the statutory income tax rate to provision for (benefit from) income tax as shown in the statements of income is as follows:

| | **2023** | 2022 | 2021 |
|---|---|---|---|
| Income tax at statutory income tax rate | **₱26,285,409** | ₱4,670,412 | (₱22,102,136) |
| Additions to (reductions in) income tax resulting from: | | | |
| Movement of unrecognized deferred tax assets | **(37,826,883)** | (9,692,528) | 11,230,457 |
| Nondeductible expenses | **20,919,659** | 5,132,806 | 3,887,978 |
| Interest income subjected to final tax | **(22,905)** | (29,251) | (45,152) |
| Expired MCIT | – | – | 4,751,792 |
| Effect of change in tax rate | – | – | (1,547,748) |
| | **₱9,355,280** | ₱81,439 | (₱3,824,809) |

The components of the deferred income taxes are as follows:

| | **2023** | 2022 |
|---|---|---|
| *Deferred income taxes recognized in the statement of income:* | | |
| Deferred tax assets: | | |
| Lease liabilities | **₱57,385,992** | ₱– |
| Retirement benefit obligation | **25,841,187** | – |
| Accrual for incentive bonus | **1,239,324** | – |
| Unrealized foreign exchange losses | **59,534** | 152,794 |
| | **84,526,037** | 152,794 |
| Deferred tax liabilities | | |
| Right-of-use assets | **(53,442,446)** | – |
| Unrealized foreign exchange gains | **(362,054)** | – |
| Deferred financing costs | **(72,912)** | (148,765) |
| | **(53,877,412)** | (148,765) |
| | **30,648,625** | 4,029 |
| *Deferred income taxes recognized directly in equity:* | | |
| Deferred income tax liability on revaluation increment on land | **(24,214,341)** | (24,214,341) |
| Deferred tax asset related to retirement benefit obligation | **561,565** | – |
| | **(23,652,776)** | (24,214,341) |
| Net deferred tax asset (liabilities) | **₱6,995,849** | (₱24,210,312) |

No deferred income tax assets were recognized on the following deductible temporary differences because management believes that it is not probable that sufficient taxable income will be available to allow all or part of the deferred tax asset to be utilized:

| | **2023** | 2022 |
|---|---|---|
| Allowance for impairment losses on: | | |
| Trade and other receivables | **₱153,600,795** | ₱200,450,999 |
| Deposit | **4,105,842** | 4,105,842 |
| Retirement benefit obligation | – | 76,547,471 |
| Leases | – | 15,950,365 |
| Unrealized foreign exchange loss | – | 2,889,181 |
| | **₱157,706,637** | ₱299,943,858 |

## 23. **Equity**

Capital Stock

On July 22, 1996, the Company listed its common stock with the PSE, wherein it offered 300,751,880 shares to the public at the issue price of ₱5.96 per share.

On September 4, 2006, the SEC approved the increase in the Company's authorized capital stock from ₱700.0 million divided into 400.0 million common shares, and 300.0 million preferred shares, both with a par value of ₱1.0 per share, to ₱1.0 billion divided into 895,058,756 common shares and 104,941,244 preferred shares, both with a par value of ₱1.00 per share. In separate meetings, the BOD and the shareholders resolved that the increase of the authorized capital stock shall be funded by the declaration of stock dividends equivalent to 75,187,967 common shares with a par value of ₱1.00 per share. On October 3, 2006, the PSE approved the application of the Company to list additional shares relating to the issuance of stock dividends.

On December 29, 2006, certain shareholders owning 96,125,243 preferred shares opted to convert their shares into 1 common share per 1 preferred share, plus stock dividends equivalent to 86.96% common share for every preferred share (equivalent to 83,587,161 shares). The Company filed Form 10.1 with SEC for the exemption from registration requirements of the converted 96,125,243 preferred shares into 179,712,404 common shares.

On September 21, 2007, the SEC approved the amendment of Article VII of the Company's Articles of Incorporation through the retirement of 8,816,001 preferred shares and conversion of 96,125,243 preferred shares into common shares resulting in the reduction of the Company's authorized capital stock to 991,183,999 with par value of ₱1.00 per share.

On November 28, 2007, the PSE has approved the Company's application to list additional 96,125,243 common shares to cover the underlying common shares for the conversion of a total of 96,125,243 preferred shares at a conversion rate of one (1) common share for every one (1) convertible preferred share. In addition, the PSE has approved the application of the Company to list additional 83,587,161 common shares, with a par value of ₱1.00 per share, to cover the 86.96% stock dividend declaration to the stockholders who opted to convert their preferred shares to common shares in 2007.

The Company has 899 and 902 shareholders as of December 31, 2023 and 2022, respectively.

## 24. **Earnings (Loss) Per Share**

Following are the bases for the computation of loss per share as of December 31:

| | **2023** | 2022 | 2021 |
|---|---|---|---|
| Net income (loss) available to common shareholders | **₱95,786,355** | ₱18,600,209 | (₱84,583,733) |
| Weighted average number of outstanding common shares | **554,642,251** | 554,642,251 | 554,642,251 |
| Basic and diluted earnings (loss) per share | **₱0.17** | ₱0.03 | (₱0.15) |

For the years ended December 31, 2023, 2022 and 2021 there were no shares of stock that have a potentially dilutive effect on the basic earnings (loss) per share of the Company.

## 25. **Related Party Transactions**

Parties are considered to be related if one party has the ability to control, directly or indirectly, the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities.

Transactions with related parties are accounted for based on the nature and substance of the agreement, and financial effects are included in the appropriate asset, liabilities, income and expense accounts.

*Approval Requirements and Limits on the Amount and Extent of Related Party Transactions*
Material related party transactions (MRPT) refers to any related party transactions, either individually, or in aggregate over a twelve (12)-month period with the same related party, amounting to ten percent (10%) or higher of the Company's total assets based on its latest audited financial statements.

All individual MRPT's shall be approved by at least two-thirds (2/3) vote of the BOD, with at least a majority of the Independent Directors voting to approve the MRPT. In case that a majority of the Independent Directors' vote is not secured, the MRPT may be ratified by the vote of the stockholders representing at least two-thirds (2/3) of the outstanding capital stock.

Aggregate RPT transactions within a 12 -month period that meets or breaches the materiality threshold shall require the same BOD approval mentioned above.

The following are the more significant related party transactions and balances as of and for the years ended December 31, 2023, 2023 and 2021 not separately shown elsewhere in the financial statements.

| | | | | | | Amounts Owed by Related Parties | | Amounts Owed to Related Parties | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Related Parties | Year | **Revenue** | **Purchases** | **Management Fees** | **Insurance, Rental, and Other Services** | **Trade** (Note 6) | **Non-Trade** (Note 6) | **Trade** (**Note** 12) | **Non-Trade** (**Note** 12) | **Terms** | **Conditions** |
| *Ultimate Parent* | | | | | | | | | | | |
| A. Magsaysay, Inc. (AMI) | **2023** | **₱–** | **₱–** | **₱–** | **₱8,102,230** | **₱–** | **₱–** | **₱14,419,803** | **₱20,406,132** | Various; Payable | Unsecured; |
| | 2022 | ₱– | ₱– | ₱– | ₱9,056,382 | ₱– | ₱– | ₱9,373,716 | ₱21,926,844 | within the | |
| | 2021 | ₱– | ₱– | ₱– | ₱4,227,376 | ₱– | ₱– | ₱– | ₱20,086,850 | following month | |
| *Parent:* | | | | | | | | | | | |
| NMC | **2023** | – | – | – | **19,302,387** | – | **8,442,513** | **289,945** | **14,419,853** | Various; Payable | Unsecured; |
| | 2022 | – | – | – | 13,116,866 | – | 8,081,289 | 122,940 | 14,300,726 | within the | No impairment for |
| | 2021 | – | – | – | 13,116,866 | 23,973 | 44,157 | 6,325,319 | 5,232,982 | following month | receivables |
| *Affiliates:* | | | | | | | | | | | |
| One Stop Logistics Solutions, Inc. | **2023** | **36,560,622** | **723,735** | – | **–** | **17,383,999** | | – | **1,054,111** | Logistics | Unsecured; |
| (OLSI) | 2022 | 25,832,154 | 2,206,854 | – | – | 1,363,097 | – | 2,925,719 | 1,054,111 | services - | No impairment for |
| | 2021 | 23,585,249 | 1,571,226 | – | – | 14,303,442 | – | 3,321,788 | 997,819 | Payable within the month | receivables |
| One Stop Warehousing Solutions, | **2023** | – | – | – | **–** | **701,614** | | **28,856,761** | **1,808,799** | Warehousing | Unsecured; |
| Inc. (OWSI) | 2022 | – | – | – | – | 292,110 | – | 28,856,761 | 1,808,799 | solutions - | No impairment for |
| | 2021 | – | – | – | 1,614,999 | 305,760 | – | 28,856,761 | 1,808,799 | Payable within the month | receivables |
| NMC Container Lines, Inc. | **2023** | – | – | – | **265,585,148** | **26,049,982** | **11,354,530** | **–** | **100,792,108** | Sea transport | Unsecured; |
| (NMCCLI) | 2022 | – | – | – | 315,340,059 | 47,724,127 | 24,757 | – | 140,222,524 | service/ | No impairment for |
| | 2021 | – | – | – | 332,927,347 | 49,736,480 | 1,000,000 | – | 164,668,335 | Container van rental - Payable within the following month | receivables |
| Magsaysay Shipmanagement, Inc. | **2023** | – | – | – | **26,432,220** | **–** | **600,850** | **72,589,619** | **18,735** | Vessel | Unsecured; |
| (MSI) | 2022 | – | – | – | 24,029,306 | – | 600,850 | 71,498,696 | – | maintenance and | No impairment for |
| | 2021 | – | – | 1,922,343 | 22,106,963 | 617,439 | – | 67,134,974 | – | ship/crew management services - Payable within the following month | receivables |
| Roadlink Solution Inc (RLSI) | **2023** | **362,500** | – | – | **55,521,457** | **211,239** | **23,327** | **2,333,404** | – | Trucking | Unsecured; |
| | 2022 | – | – | – | 71,226,450 | 289,763 | 94,878 | 8,700,192 | – | services; | No impairment for |
| | 2021 | – | – | – | 64,416,855 | 638,813 | – | 3,985,933 | – | Payable in 30 days | receivables |

*Forward*

| Related Parties | Year | Revenue | Purchases | Management Fees | Insurance, Rental, and Other Services | Amounts Owed by Related Parties: Trade (Note 6) | Amounts Owed by Related Parties: Non-Trade (Note 6) | Amounts Owed to Related Parties: Trade (Note 12) | Amounts Owed to Related Parties: Non-Trade (Note 12) | Terms | Conditions |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Marine Fuels Philippines, Inc. (MFPI) | **2023** | **₱–** | **₱ 507,753,113** | **₱–** | **₱ 8,347,144** | **₱–** | **₱–** | **₱415,957,471** | **₱15,084,136** | Fuel – Payable in 30 days | Unsecured |
| | 2022 | ₱– | ₱241,625,156 | ₱– | ₱– | ₱– | ₱– | ₱526,419,057 | ₱3,760,950 | | |
| | 2021 | ₱– | ₱567,036,662 | ₱– | ₱– | ₱– | ₱– | ₱642,090,244 | ₱3,760,950 | | |
| NMC Ship Agency and Brokerage Inc (NAB) | **2023** | – | – | – | **738,987** | **260,700** | **–** | **695,432** | – | Shipping Agent – Payable in 30 days | Unsecured; No impairment for receivables |
| | 2022 | – | – | – | 1,081,856 | 260,700 | – | 1,596,746 | – | | |
| | 2021 | – | – | – | 269,781 | 43,344 | – | – | – | | |
| Icebox Logistics Services, Inc. (ILSI) | **2023** | **44,249,466** | – | | | **10,228,718** | **26,003** | **406,373** | – | Logistics services; Payable within the following month | Unsecured; No impairment for receivables |
| | 2022 | 75,218,864 | – | – | – | 20,260,611 | 23,157 | 406,373 | – | | |
| | 2021 | 55,855,378 | – | – | – | 29,444,129 | – | 1,171,676 | – | | |
| Global Process Manager Inc. (GPMI) | **2023** | **–** | **–** | **–** | **11,424,930** | **–** | **206,910** | **3,191,960** | **–** | Various; Payable within the following month | Unsecured |
| | 2022 | – | – | – | 10,319,190 | – | 206,910 | 3,399,389 | – | | |
| | 2021 | – | – | – | – | – | – | – | – | | |
| *Other shareholders:* | | | | | | | | | | | |
| Others | **2023** | – | **2,297,638** | – | **46,625** | – | **250,000** | **533,286** | **1,127,318** | Various; Collectible/ payable within the following month | Unsecured; No impairment for receivables |
| | 2022 | – | 1,971,594 | – | 210,675 | 29,192 | 250,000 | 782,939 | 3,079,507 | | |
| | 2021 | – | – | – | – | 250,000 | – | 524,889 | 2,729,591 | | |
| **Total** | **2023** | **₱81,172,588** | **₱510,774,486** | **₱–** | **₱395,501,128** | **₱54,836,252** | **₱20,904,133** | **₱539,274,054** | **₱154,711,192** | | |
| | 2022 | ₱101,051,018 | ₱245,803,604 | ₱– | ₱444,380,784 | ₱70,219,600 | ₱9,281,841 | ₱654,082,528 | ₱186,153,461 | | |
| | 2021 | ₱79,440,627 | ₱568,607,888 | ₱1,922,343 | ₱438,680,187 | ₱95,363,380 | ₱1,044,157 | ₱753,411,584 | ₱199,285,326 | | |

Magsaysay Group of Companies

- AMI, ultimate parent, service fees paid to AMI for the centralized services of legal services, human resource organizational management, central purchasing unit and I.T. services.

- The Company has a service-level agreement with NMC, the parent company, covering certain services. Service fee charges to operations amounted to ₱19.30 million in 2023 and ₱13.12 million in 2022 and 2021.

  In 2023 and 2022, the Company has advances from NMC amounting to ₱38.18 million, which is due and demandable, unsecured and payable in cash.

- NMCCLI and MFPI are subsidiaries of NMC. NMCCLI has a sea transport service agreement with the Company while MFPI supplies fuel to the Company.

- The Company has service level agreement with GPMI for financing services. The service fees charged to operations amounted to ₱11.42 million and ₱10.32 million in 2023 and 2022, respectively.

- MSI under common control with AMI. The Company entered into a ship management and vessel maintenance agreement with MSI whereby the Company appointed MSI as the manager of its vessels. The agreement is renewable annually.

- OLSI, a wholly-owned subsidiary of NMC, is engaged in warehousing, project and rolling cargo handling and other cargo related services.

- ILSI is a subsidiary of NMC. ILSI purchases container cargo slots (with power supply) on Company vessels for their refrigerated containers.

- NAB, RLSI and OWSI are wholly-owned subsidiaries of NMC.

- *Long-term borrowing with a related party*
  On December 31, 2022, the Company has assessed that it will not be able to settle its trade payable amounting to ₱150,305,719, to MFPI (a wholly owned subsidiary of NMC) within the next twelve (12) months from the reporting period. Both entities agreed to convert the said amount to long-term, which is to be settled within two (2) years starting January 2023. In 2022, both parties agreed to revise the term of the loan to three (3) years and the repayment period to start in January 2024. The long-term payable is interest bearing at the prevailing market interest. On December 31, 2023, the Company and MFPI agreed to convert additional ₱100,206,638, which is to be settled within three (3) years starting January 2025. The long-term payable is interest bearing at the prevailing market interest.

  Movements in other noncurrent liabilities in the statement of financial position are as follows:

| | **2023** | 2022 |
|---|---|---|
| Balances at beginning of year | **₱150,305,719** | ₱150,305,719 |
| Conversion | **100,206,638** | – |
| Payments | **(25,286,989)** | – |
| Balances at ending of year | **225,225,368** | 150,305,719 |
| Less current portion | **24,814,918** | – |
| Noncurrent portion | **₱200,410,450** | ₱150,305,719 |

In 2023, the Company paid ₱25,286,989. The long-term payable bear annual interest at 4.46% to 7.25% and 4.00% to 4.46% in 2023 and 2022, respectively. Interest expense on long term loans amounted to ₱8,046,377 and ₱5,925,085 in 2023 and 2022, respectively.

Other Shareholders

- Other related parties mentioned are businesses owned by various shareholders or directors of the Company and has transactions with the Company in the regular course of business.

All transactions with related parties are settled in cash.

Compensation of Key Management Personnel

| | **2023** | 2022 | 2021 |
|---|---|---|---|
| Short-term employee benefits | **₱20,182,324** | ₱18,983,477 | ₱6,425,659 |
| Post-employment benefits | **1,552,773** | 1,535,303 | 1,045,706 |
| | **₱21,735,097** | ₱20,518,780 | ₱7,471,365 |

26. **Leases**

*Company* as a lessee
The Company has lease contracts for various items of container yard, container vans, warehouse and equipment used in its operations. Leases of container yards generally have lease terms between 1.5 and 7 years, container vans generally have a lease terms of 2 and 5 years, warehouse and equipment generally have lease terms between 4 and 4.5 years and office space has a lease term of 2 and 7 years. The Company's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Company is restricted from assigning and subleasing the leased assets.

The Company also has certain leases on container yards, container vans, warehouse and equipment with lease terms of 12 months or less. The Company applies the 'short-term lease' recognition exemptions for these leases.

The following are the amounts recognized in the statement of income:

| | **2023** | 2022 | 2021 |
|---|---|---|---|
| Depreciation of ROU assets (Note 9) | **₱67,221,937** | ₱35,790,071 | ₱65,548,324 |
| Expenses relating to short-term leases included in: | | | |
| Cost of services (Note 15) | **39,580,855** | 45,281,883 | 29,948,167 |
| Terminal expenses (Note 16) | **23,105,188** | 62,920,932 | 23,374,697 |
| General and administrative expenses (Note 17) | **1,539,850** | 1,868,495 | 2,678,561 |
| Interest expense on lease liabilities (Note 20) | **16,877,602** | 6,708,995 | 9,525,654 |
| Unrealized foreign exchange loss | **809,842** | 611,174 | 652,991 |
| Total amount recognized in statement of income | **₱149,135,274** | ₱153,181,550 | ₱131,728,394 |

The rollforward analysis of lease liabilities are as follows:

| | 2023 | 2022 |
|---|---|---|
| At January 1 | ₱87,630,153 | ₱104,021,022 |
| Additions (Note 9) | 209,688,638 | 19,033,344 |
| Interest expense (Note 20) | 16,877,602 | 6,708,995 |
| Unrealized foreign exchange loss | 809,842 | 611,174 |
| Modification | 234,471 | – |
| Payments | (85,696,737) | (42,744,382) |
| As at December 31 | ₱229,543,969 | ₱87,630,153 |

Lease liabilities are presented in the statements of financial position as follows:

| | 2023 | 2022 |
|---|---|---|
| Lease liabilities - current portion | ₱65,247,182 | ₱33,832,479 |
| Lease liabilities - noncurrent portion | 164,296,787 | 53,797,674 |
| | ₱229,543,969 | ₱87,630,153 |

The Company has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Company's business needs. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised (see Note 4).

Shown below is the maturity analysis of the undiscounted lease payments as of December 31, 2023 and 2022:

| | 2023 | 2022 |
|---|---|---|
| Within 1 year | ₱80,328,339 | ₱39,126,381 |
| More than 1 years to 2 years | 75,366,439 | 20,226,846 |
| More than 2 years to 3 years | 70,067,355 | 14,527,264 |
| More than 3 years to 4 years | 27,220,693 | 12,507,957 |
| More than 4 years to 5 years | 9,722,725 | 13,697,878 |

## 27. Financial Instruments

Financial Risk Management Objectives and Policies
Risk management is carried out by the Management Committee (ManCom) under policies approved by the Executive Committee (ExCom) and the BOD. Audit Committee identifies, evaluates, and hedges financial risks in close cooperation with the Company's ManCom. ExCom and BOD approve written principles provided by ManCom for overall risk management, as well as written policies, covering specific ones such as internal control policies, freight policies, purchasing policies and operational policies among others.

The Company's principal financial liabilities consist of accounts payable and other current liabilities, borrowings and lease liabilities. The main purpose of these financial instruments is to raise funds for the Company's operations. The Company has various financial assets such as cash and cash equivalents, trade and other receivables and deposits included under other noncurrent assets which arise directly from its operations.

The Company's activities expose it to a variety of financial risks. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. Consistent with prior year, the Company's policies for managing each of these risks are summarized below:

*Interest rate risk*
The Company depends on funds procured from external sources to meet substantial capital expenditure requirements. The Company reviews its exposure to interest rate risk through quarterly monitoring of actual figures against projections. Management believes that cash generated from operations is sufficient to pay its obligations under the loan agreements as they fall due.

The following tables set out the undiscounted amounts as of December 31, 2023 and 2022 by maturity, of the Company's financial instruments that are exposed to interest rate risk:

| **Floating Rate** | | **Within 1 Year** | **1-2 Years** | **2-5 Years** | **Over 5 Years** | **Total** |
|---|---|---|---|---|---|---|
| Long-term borrowings | **2023** | **₱80,166,026** | **₱52,388,248** | **₱248,289,483** | **₱–** | **₱380,843,757** |
| | 2022 | ₱101,581,177 | ₱66,974,379 | ₱228,856,577 | ₱– | ₱397,412,133 |
| Short-term borrowings | **2023** | **341,963,292** | **–** | **–** | **–** | **341,963,292** |
| | 2022 | 320,640,916 | – | – | – | 320,640,916 |

Interest on financial instruments classified as floating rate is repriced at intervals of less than one year.

| **Fixed Rate** | | **Within 1 Year** | **1-2 Years** | **2-4 Years** | **Over 4 Years** | **Total** |
|---|---|---|---|---|---|---|
| Lease liabilities | **2023** | **₱80,328,339** | **₱75,366,439** | **₱97,288,048** | **₱9,722,725** | **₱262,705,551** |
| | 2022 | ₱39,126,381 | ₱20,226,846 | ₱27,035,221 | ₱13,697,878 | ₱100,086,326 |

Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument.

The other financial instruments of the Company that are not included in the above tables are noninterest-bearing and are therefore not subject to interest rate risk.

The following table demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the Company's income before tax (through the impact on floating rate borrowings):

| | Year | Increase/Decrease in Basis Points | Effect on Income Before Tax |
|---|---|---|---|
| Interest-bearing loans and borrowings | **2023** | **+250** | **(₱17,580,260)** |
| | | **-250** | **17,580,260** |
| | 2022 | +54 | (₱3,823,049) |
| | | -54 | 3,823,049 |

The sensitivity of the Company's income is the effect of assumed changes in interest rates based on the bank's projection of 90-day interest rates using a combination of technical analysis and trending techniques.

There is no other impact on the Company's equity other than those already affecting the statement of income.

*Foreign currency risk*
The Company's foreign currency risk results primarily from the foreign exchange rate movements of the Philippine peso against foreign currencies. The Company resolved to mitigate this risk by taking advantage of market trends. Such trends are used to determine the proper timing of foreign currency transactions in order to realize a foreign currency gain.

The following table demonstrates the sensitivity to a reasonable change in the Philippine peso exchange rate in relation to foreign currencies based on the bank's projection of foreign currency fluctuations, with all variables held constant, of the Company's income before tax:

| | Effect on Income Before Tax | | Effect on Loss Before Tax |
|---|---|---|---|
| | **2023** | 2022 | 2021 |
| **US Dollar** | | | |
| Strengthened (2023: 6%, 2022: 6%, 2021: 4%) | **(₱4,030,456)** | (₱2,002,294) | ₱692,376 |
| Weakened (2023: 6%, 2022: 6%, 2021: 4%) | **4,030,456** | 2,002,294 | (692,376) |
| **Euro** | | | |
| Strengthened (2023: 9%, 2022: 11%, 2021: 6%) | **(903,025)** | (338,593) | 62,280 |
| Weakened (2023: 9%, 2022: 11%, 2021: 6%) | **903,025** | 338,593 | (62,680) |

There is no other impact on the Company's equity other than those already affecting the statement of income.

The Company's foreign currency denominated monetary assets and liabilities as of December 31 consist of:

| | **2023** | |
|---|---|---|
| | **US Dollar** | **Euro** |
| Current assets | **\$35,524** | **€–** |
| Current liabilities | **(666,079)** | **(165,469)** |
| Noncurrent liabilities | **(582,634)** | **–** |
| Net foreign currency denominated liabilities | **(1,213,189)** | **(165,469)** |
| Exchange rate used | **55.37** | **60.64** |
| Peso equivalent | **(₱67,174,275)** | **(₱10,034,040)** |

| | **2022** | |
|---|---|---|
| | US Dollar | Euro |
| Current assets | \$179,874 | €– |
| Current liabilities | (778,467) | (51,707) |
| Net foreign currency denominated liabilities | (598,593) | (51,707) |
| Exchange rate used | 55.75 | 59.53 |
| Peso equivalent | (₱33,371,560) | (₱3,078,118) |

The Company had a net unrealized foreign exchange gain of ₱0.64 million in 2023 and net unrealized foreign exchange loss of ₱3.50 million and ₱0.67 million in 2022 and 2021, respectively.

*Credit risk*

Credit risk is defined as the risk of loss arising from the default of an individual, counterparty or issuer not being able to or unwilling to honor its contractual obligations. The Company's exposure to this risk is primarily due to its transactions with its trading customers.

The Company counters this risk by trading only with recognized, creditworthy third parties. It employs standard process in granting credit lines to customers. It performs thorough evaluation of its customers' operations and financial standing to ensure that its customers are able to meet its contractual obligation.

*Trade and other receivables*
Customer credit risk is managed by the Company subject to the Company's established policy, procedures and controls relating to customer credit risk management. The Company monitors receivable balances and ensures that customers are able to settle their obligation within the agreed terms. Its Credit and Collection Department is responsible for the collection of these receivables and ensures that customers are able to settle their obligation.

*Cash in banks*
Credit risk from cash in banks is managed by the Company's treasury department in accordance with the Company's policy.

The Company has the following financial assets that are subject to the expected credit loss model:

*General Approach*

- *Cash in banks*. The ECL relating to the cash of the Company is minimal as these are deposited in reputable banks which have good credit rating, and are considered to have lower credit risk.

- *Other receivables*. The Company did not recognize any allowance to receivable from counterparties based on benchmarking / use of external supplementary data. This assessment is undertaken each financial year through examination of the financial position of the related parties and the markets in which the related parties operates.

- *Refundable Deposits*. Refundable deposits are deposited with a third party which have good credit standing and are considered to have lower credit risk, hence, probability of default is expected to be less likely.

*Simplified Approach*

- *Trade receivables and contract assets*. The Company applied the simplified approach under PFRS 9, using a 'provision matrix', in measuring expected credit losses which uses a lifetime expected loss allowance for receivables. The expected loss rates are based on the payment profiles of revenues/sales over a period of at least 24 months before the relevant reporting date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers/counterparties to settle the receivables. The Company has identified the core inflation rate to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes in this factor.

| | **2023** | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | **Trade receivables** | | | | | | | |
| Amounts in millions | | | **Days Past Due** | | | | | | |
| | **Contract assets** | **Current*** | **1-30 days** | **31-60 days** | **61-90 days** | **Over 90 days** | **Specific identification** | **Total** |
| Expected loss rate | **1.75%** | **1.42%** | **3.82%** | **8.16%** | **13.31%** | **19.25%** | **100%** | |
| Estimated gross carrying amount at default | **₱4.11** | **₱410.43** | **₱69.96** | **₱28.29** | **₱1.59** | **₱80.20** | **₱127.08** | **₱721.66** |
| Expected credit loss | **₱0.07** | **₱5.82** | **₱2.67** | **₱2.31** | **₱0.21** | **₱15.44** | **₱127.08** | **₱153.60** |

**includes accrued receivables*

| Amounts in millions | 2022 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | Trade receivables | | | | | | |
| | | | Days Past Due | | | | | |
| | Contract assets | Current* | 1-30 days | 31-60 days | 61-90 days | Over 90 days | Specific identification | Total |
| Expected loss rate | 18.29% | 2.62% | 6.75% | 12.91% | 19.72% | 27.54% | 100% | |
| Estimated gross carrying amount at default | ₱11.53 | ₱482.78 | ₱83.46 | ₱16.53 | ₱6.52 | ₱144.83 | ₱136.73 | ₱882.38 |
| Expected credit loss | ₱2.11 | ₱12.67 | ₱5.63 | ₱2.13 | ₱1.29 | ₱39.89 | ₱136.73 | ₱200.45 |

**includes accrued receivables*

Concentration of risk arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic feature that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions, such as fluctuations in currencies or interest rates. The Company has no significant concentration of credit risk.

The Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of its financial assets.

The following table shows the Company's maximum exposure to credit risk:

| | **2023** | 2022 |
|---|---|---|
| Cash in banks and cash equivalents | **₱98,400,666** | ₱61,854,759 |
| Trade and other receivables: | | |
| Trade | **564,024,184** | 672,511,754 |
| Non-trade | **20,904,133** | 9,281,841 |
| Receivables from officers and employees | **3,487,903** | 4,561,603 |
| Other receivables | **38,176,501** | 44,556,017 |
| Deposits included in "Other noncurrent assets" | **16,477,051** | 15,934,950 |
| | **₱741,470,439** | ₱808,700,924 |

*Liquidity risk*

Liquidity risk is the risk that the Company will not be able to settle or meet its financial obligations when they fall due. To mitigate exposure to such risk, the Company regularly monitors its cash position and loan due dates to ensure sufficient fund for working capital and to meet obligations as they fall due.

The tables below summarize the maturity profile of the Company's financial liabilities as of December 31, 2023 and 2022 based on contractual undiscounted cash flows. The table also analyses the maturity profile of the Company's financial assets in order to provide a complete view of the Company's contractual commitments. The analysis into relevant maturity grouping is based on the remaining period at the end of the reporting period to the contractual maturity dates:

| | **2023** | | | |
|---|---|---|---|---|
| | **Less than 6 Months** | **6 Months to 1 Year** | **Over 1 Year** | **Total** |
| ***Financial liabilities:*** | | | | |
| **Short-term borrowings*** | **₱343,923,208** | **₱–** | **₱–** | **₱343,923,208** |
| **Long-term borrowings*** | **37,709,981** | **36,569,462** | **76,226,128** | **150,505,571** |
| **Long-term borrowing - related party*** | **12,888,248** | **12,888,248** | **215,942,260** | **241,718,756** |
| **Lease liabilities** | **41,788,958** | **38,539,381** | **182,377,212** | **262,705,551** |
| **Accounts payable and other current liabilities**** | **1,420,983,975** | **–** | **–** | **1,420,983,975** |
| | **₱1,857,294,370** | **₱87,997,091** | **₱474,545,600** | **₱2,419,837,061** |

*(Forward)*

| | Less than 6 Months | 6 Months to 1 Year | Over 1 Year | Total |
|---|---|---|---|---|
| | **2023** | | | |
| ***Financial assets:*** | | | | |
| **Cash** | **₱99,128,666** | **₱–** | **₱–** | **₱99,128,666** |
| **Trade and other receivables:** | | | | |
| **Trade** | **436,887,456** | **127,136,728** | **–** | **564,024,184** |
| **Non-trade** | **20,904,133** | **–** | **–** | **20,904,133** |
| **Receivables from officers and employees** | **3,487,903** | **–** | **–** | **3,487,903** |
| **Other receivables** | **38,176,501** | **–** | **–** | **38,176,501** |
| **Deposits** | **485,100** | **1,352,968** | **16,477,051** | **18,315,119** |
| | **₱599,069,759** | **₱128,489,696** | **₱16,477,051** | **₱744,036,506** |

**Including interest*
***Excluding statutory liabilities*

| | Less than 6 Months | 6 Months to 1 Year | Over 1 Year | Total |
|---|---|---|---|---|
| | 2022 | | | |
| *Financial liabilities:* | | | | |
| Short-term borrowings* | ₱323,151,246 | ₱– | ₱– | ₱323,151,246 |
| Long-term borrowings* | 73,470,132 | 37,752,584 | 149,282,213 | 260,504,929 |
| Long-term borrowing - related party* | – | – | 157,009,354 | 157,009,354 |
| Lease liability | 23,491,582 | 15,634,798 | 60,959,945 | 100,086,325 |
| Accounts payable and other current liabilities** | 1,533,165,718 | – | – | 1,533,165,718 |
| | ₱1,953,278,678 | ₱53,387,382 | ₱367,251,512 | ₱2,373,917,572 |
| *Financial assets:* | | | | |
| Cash | ₱62,526,759 | ₱– | ₱– | ₱62,526,759 |
| Trade and other receivables: | | | | |
| Trade | 436,207,868 | 236,303,886 | – | 672,511,754 |
| Non-trade | 9,281,841 | – | – | 9,281,841 |
| Receivables from officers and employees | 4,561,603 | – | – | 4,561,603 |
| Other receivables | 44,556,017 | – | – | 44,556,017 |
| Deposits | – | – | 15,934,949 | 15,934,949 |
| | ₱557,134,088 | ₱236,303,886 | ₱15,934,949 | ₱809,372,923 |

**Including interest*
***Excluding statutory liabilities*

To address the negative gaps, the Company can utilize its available unused credit lines, obtain continued financial support from its related parties, collection of insurance claims and various revenue enhancement programs and cost reduction initiatives to further improve the results of operations.

Classification and Fair Values of Financial Instruments
Set out below is a comparison by category of carrying amounts and fair values of the Company's financial instruments that are carried in the financial statements.

| | **Carrying Amount** | | **Fair Value** | |
|---|---|---|---|---|
| | **2023** | 2022 | **2023** | 2022 |
| *Amortized cost*: | | | | |
| Deposits | **₱16,477,051** | ₱15,934,949 | **₱16,477,051** | ₱15,934,949 |
| *Other financial liabilities*: | | | | |
| Long-term borrowings | **138,833,360** | 239,807,730 | **128,909,769** | 239,833,359 |
| Other noncurrent liabilities | **200,410,450** | 150,305,719 | **200,410,450** | 150,305,719 |
| | **₱339,243,810** | ₱390,113,449 | **₱329,320,219** | ₱390,139,078 |

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

*Cash and cash equivalents, trade and other receivables, contract assets, accounts payable and other current liabilities, and short-term borrowings*
The management assessed that the fair values of cash and cash equivalents, trade and other receivables, contract assets, accounts payable and other current liabilities, short-term borrowings and long-term borrowings reclassified to current due to breach of contract terms approximate their carrying amount largely due to the relatively short-term maturity of these financial instruments.

*Deposits included in "Other noncurrent assets"*
The fair value of deposits under other noncurrent assets is estimated by discounting future cash flows using prevailing interest rates.

*Long-term borrowings*
The carrying amount of long-term borrowings approximate its fair value due to quarterly repricing of interest.

*Other noncurrent liabilities*
The carrying amount of other noncurrent liabilities approximate its fair value due to quarterly repricing of interest.

*Fair value hierarchy*
The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: Those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)

Level 3: Those inputs for the asset or liability that are not based on observable market data (unobservable inputs)

As of December 31, 2023 and 2022, the Company held the following financial instruments that are carried at amortized cost but for which fair values are required to be disclosed:

**December 31, 2023**

| | Total | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| Disclosed at fair value: | | | | |
| Deposits included in "Other noncurrent assets" | **₱16,477,051** | **₱–** | **₱–** | **₱16,477,051** |
| Long-term borrowings | **138,833,360** | **–** | **–** | **138,833,360** |

December 31, 2022

| | Total | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| Disclosed at fair value: | | | | |
| Deposits included in “Other noncurrent assets” | ₱15,934,949 | ₱– | ₱– | ₱15,934,949 |
| Long-term borrowings | 239,807,730 | – | – | 239,807,730 |

There were no transfers between Level 1 and Level 2 fair value measurement, and there were no transfers into and out of Level 3 fair value measurement.

## 28. **Capital Management**

The primary objective of the Company’s capital management is to ensure that it maintains a strong credit rating and healthy capital ratios to support its business and maximize shareholder value.

The Company monitors capital using debt-to-equity ratio (see Note 13). Capital includes equity attributable to common shareholders, share premium and accumulated earnings. Debt includes all liabilities, current and long-term interest-bearing loans and borrowings and retirement obligation.

| | **2023** | 2022 |
|---|---|---|
| Short-term borrowings and accounts payable and other current liabilities | **₱1,927,650,752** | ₱1,970,421,785 |
| Long-term borrowings | **138,833,360** | 239,807,730 |
| Long term payable to related party | **225,225,368** | 150,305,719 |
| Lease liabilities | **229,543,969** | 87,630,153 |
| Retirement benefit obligation | **105,611,008** | 76,547,471 |
| Total debt | **2,626,864,457** | 2,524,712,858 |
| Common stock | **555,652,251** | 555,652,251 |
| Additional paid-in capital | **459,791,492** | 459,791,492 |
| Actuarial losses on defined benefit plan | **(28,605,970)** | (17,850,964) |
| Treasury shares | **(3,125,850)** | (3,125,850) |
| Revaluation increment | **72,643,023** | 72,643,023 |
| Deficit | **(589,819,746)** | (685,606,101) |
| Total equity | **466,535,200** | 381,503,851 |
| Total debt and equity | **₱3,093,399,657** | ₱2,906,216,709 |

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may declare dividends, reacquire outstanding shares, or issue new shares.

No changes were made in the objectives, policies or processes on capital management during the years ended December 31, 2023 and 2022.

## 29. Other Matters

*Contingencies*

In the ordinary course of business, the Company is a defendant in various litigations and claims. The Company has an ongoing case with the Court of Tax Appeals (CTA). As of October 8, 2021, the CTA En Banc issued a resolution in favor of the Company, rendering the BIR assessment void and denying the "motion for reconsideration". The Company's legal counsel expects that the BIR will exhaust its legal remedies and will elevate the case to the Supreme Court of the Philippines.

On March 21, 2022, the Supreme Court (SC) issued a Notice of Resolution granting BIR's Motion for Extension to File Petition for Review.

On October 20, 2023, the Supreme Court (SC) issued a Notice of Resolution that the BIR has failed to file the intended petition for review on certiorari within a period granted in the Resolution dated March 21, 2022 which expired on December 6, 2021. The Court resolved to declare the case closed and terminated.

## 30. Notes to Statement of Cash Flows

| *Changes in liabilities arising from financing activities* | **January 1, 2023** | **Cash flows** | **Foreign exchange Movement** | **Others** | **December 31, 2023** |
|---|---|---|---|---|---|
| Interest payable | **₱5,483,785** | **(₱69,738,324)** | **₱–** | **₱68,643,755** | **₱4,389,216** |
| Short-term borrowings | **320,640,916** | **21,322,376** | – | – | **341,963,292** |
| Current portion of: | | | | | |
| Long-term borrowings | **101,581,177** | **(101,277,778)** | – | **66,817,179** | **67,120,578** |
| Long-term borrowing – related party | – | **(25,286,989)** | – | **50,101,907** | **24,814,918** |
| Lease liabilities | **33,832,479** | **(68,819,135)** | **809,842** | **99,423,996** | **65,247,182** |
| Noncurrent portion of: | | | | | |
| Long-term borrowings | **138,226,553** | – | – | **(66,513,771)** | **71,712,782** |
| Long-term borrowing with related party | **150,305,719** | – | – | **50,104,731** | **200,410,450** |
| Lease liabilities | **53,797,674** | – | – | **110,499,113** | **164,296,787** |
| Total liabilities from financing activities | **₱803,868,303** | **(₱243,799,850)** | **₱809,842** | **₱379,076,910** | **₱939,955,205** |

| *Changes in liabilities arising from financing activities* | January 1, 2022 | Cash flows | Foreign exchange Movement | Others | December 31, 2022 |
|---|---|---|---|---|---|
| Interest payable | ₱4,103,020 | (₱49,424,649) | ₱– | ₱50,805,414 | ₱5,483,785 |
| Short-term borrowings | 368,272,360 | (47,631,444) | – | – | 320,640,916 |
| Current portion of: | | | | | |
| Long-term borrowings | 93,594,418 | (91,277,778) | – | 99,264,537 | 101,581,177 |
| Lease liabilities | 44,694,345 | (36,035,387) | 611,174 | 24,562,347 | 33,832,479 |
| Noncurrent portion of: | | | | | |
| Long-term borrowings | 237,245,215 | – | – | (99,018,662) | 138,226,553 |
| Long-term borrowing with related party | – | – | – | 150,305,719 | 150,305,719 |
| Lease liabilities | 59,326,677 | – | – | (5,529,003) | 53,797,674 |
| Total liabilities from financing activities | ₱807,236,035 | (₱224,369,258) | ₱611,174 | ₱220,390,352 | ₱803,868,303 |

| *Changes in liabilities arising from financing activities* | January 1, 2021 | Cash flows | Foreign exchange movement | Others | December 31, 2021 |
|---|---|---|---|---|---|
| Interest payable | ₱1,949,459 | (₱45,290,829) | ₱– | ₱47,444,390 | ₱4,103,020 |
| Short-term borrowings | 337,670,400 | 30,601,960 | – | – | 368,272,360 |
| Current portion of: | | | | | |
| Long-term borrowings | 86,206,323 | (103,348,015) | – | 110,736,110 | 93,594,418 |
| Lease liabilities | 81,714,303 | (65,870,419) | 652,991 | 28,197,470 | 44,694,345 |
| Noncurrent portion of: | | | | | |
| Long-term borrowings | 277,583,508 | 70,000,000 | – | (110,338,293) | 237,245,215 |
| Lease liabilities | 87,524,147 | – | – | (28,197,470) | 59,326,677 |
| Total liabilities from financing activities | ₱872,648,140 | (₱113,907,303) | ₱652,991 | ₱47,842,207 | ₱807,236,035 |

Others include the effect of reclassification of non-current portion of long-term borrowings, effect of accrued but not yet paid interest, additions to lease liabilities and amortization of deferred transaction costs.

## 31. Supplementary Information Required Under Revenue Regulations (RR) 15-2010

On November 25, 2010, the BIR issued RR 15-2010 which amends certain provisions of RR 21-2002 prescribing the manner of compliance with any documentary and/or procedural requirements in connection with the preparation and submission of financial statements accompanying the tax returns. It requires the disclosures of taxes, duties and licenses paid or accrued during the taxable year. In compliance with the requirements set forth by RR 15-2010 hereunder are the information on taxes, duties and licenses paid or accrued during the taxable year.

VAT

The National Internal Revenue Code of 1997 provides for the imposition of VAT on sales of goods and services. Accordingly, the Company's sales are subject to output VAT while its importations and purchases from other VAT-registered individuals or corporations are subject to input VAT. R.A. No. 9337 increased the VAT rate from 10.0% to 12.0%, effective February 1, 2006.

The Company is a VAT-registered company with output VAT declaration for the year ended December 31, 2023 as follows:

| | Net sales/ receipts | Output VAT |
|---|---|---|
| Taxable sales | ₱3,384,874,586 | ₱406,184,950 |
| Zero-rated sales/receipts | 73,486,537 | – |
| Exempt sales | – | – |
| | ₱3,458,361,123 | ₱406,184,950 |

The Company's sales that are subjected to VAT are reported under "Freight Revenue" and "Rental and Miscellaneous Income".

The Company's output VAT are based on actual collections received, hence may not be the same as amounts accrued in the statement of income.

The movement in input VAT during the year is summarized below:

| | |
|---|---|
| Balance at January 1 | ₱3,933,480 |
| Current year's purchases: | |
| Services lodged under direct costs | 306,884,974 |
| Capital goods subject to amortization | 726,710 |
| Capital goods not subject to amortization | – |
| From importation | 4,348,965 |
| | 315,894,129 |
| Claims for tax credit/refund and other adjustments | 75,426,620 |
| Input tax application against output VAT | (315,232,181) |
| Balance at December 31 | ₱76,088,568 |

Importations
The landed cost of the Company's importations amounted to ₱36,241,263 for the year.

Documentary Stamp Taxes
The documentary stamp taxes paid/accrued during the year on the bill of lading, bank loans and leases amounted to ₱1,522,320, ₱2,536,196, and ₱124,440, respectively.

Other Taxes and Licenses:

Details of other taxes and licenses for the year ended December 31, 2023 follows:

| | |
|---|---|
| Documentary stamp taxes | ₱2,784,743 |
| License and permit fees | 613,180 |
| Custom duties | 637,538 |
| Real property tax | 2,596,670 |
| Fringe benefits | 1,359,412 |
| Others | 10,478,085 |
| | ₱18,469,628 |

Withholding Taxes
Details of withholding taxes for the year ended December 31, 2023 follows:

| | |
|---|---|
| Expanded withholding taxes | ₱53,633,178 |
| Tax on compensation and benefits | 10,212,647 |
| Final withholding taxes | 2,343,104 |
| | ₱66,188,929 |

2008 Tax Assessment
The Company has a tax case with the Court of Tax Appeals (CTA) for the deficiency taxes for the year 2008 amounting to ₱2.01 billion, inclusive of penalties, interest and surcharges. On October 17, 2014, the Respondent in the said case (BIR) filed a Motion to Dismiss (MTD), which motion has been denied by the CTA as per Resolution dated March 5, 2015.

On June 28, 2018, the CTA 3rd Division issued a Decision favorable to the Company thereby cancelling and declaring the ₱2.01 billion assessment as null and void. As anticipated, the Commissioner of Internal Revenue (CIR) filed a Motion for Reconsideration which, however, was later on denied by the CTA 3rd Division on October 29, 2018. From this adverse Resolution, the CIR accordingly filed a Petition for Review with the CTA En Banc on November 27, 2018. The Company filed its Comments/Opposition to the BIR's Petition for review last February 8, 2019.

On February 3, 2020, the CTA EB No. 1964 was submitted for resolution/decision of the CTA en banc. On January 26, 2021, the CTA En Banc promulgated its decision denying the Petition for Review filed by the BIR. Subsequently, the BIR, on March 10, 2021, filed a Motion for Reconsideration of the CTA En Banc's decision. Hence, as at April 13, 2021, CTA EB No. 1964 is still pending with the CTA En Banc.

On January 26, 2021, the CTA en banc promulgated its decision denying the Petition for Review filed by the BIR. Subsequently, the BIR, on March 10, 2021, filed a Motion for Reconsideration of the CTA en banc's decision.

On October 8, 2021, the CTA en banc denied the BIR's motion for reconsideration for lack of merit.

On March 21, 2022, the Supreme Court (SC) issued a Notice of Resolution granting BIR's Motion for Extension to File Petition for Review.

On October 20, 2023, the Supreme Court (SC) issued a Notice of Resolution that the BIR has failed to file the intended petition for review on certiorari within a period granted in the Resolution dated March 21, 2022 which expired on December 6, 2021. And the Court Resolved to declare the case closed and terminated.

<u>2017 Tax Assessment</u>
On October 18, 2023, the Company settled deficiency taxes on income tax amounting to ₱10,302,050, inclusive of penalties.

On November 6, 2023, the Company settled deficiency taxes on income tax amounting to ₱9,718,299, inclusive of penalties.

<u>2018 Tax Assessment</u>
On February 28, 2024, the Company settled deficiency taxes on withholding tax on compensation, expanded withholding tax and miscellaneous taxes amounting to ₱1,019,325, inclusive of penalties. This was recorded as accrual as at December 31, 2023.

<u>2020 Tax Assessment</u>
On May 29, 2023, the Company settled deficiency taxes on VAT amounting to ₱ 2,506,807, inclusive of penalties.

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**INDEPENDENT AUDITOR'S REPORT**
**ON SUPPLEMENTARY SCHEDULES**

The Board of Directors and Stockholders
Lorenzo Shipping Corporation
20th Floor Times Plaza Building
United Nations Avenue, Ermita, Manila

We have audited in accordance with Philippine Standards on Auditing, the financial statements of Lorenzo Shipping Corporation (the Company) as at December 31, 2023 and 2022, and for each of the three years in the period ended December 31, 2023, and have issued our report thereon dated April 8, 2024. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the financial information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

[redacted]

Peter John R. Ventura
Partner
CPA Certificate No. 0113172
[redacted]
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
BIR Accreditation No. 08-001998-140-2021, November 10, 2021, valid until November 9, 2024
PTR No. 10082030, January 6, 2024, Makati City

April 8, 2024

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**INDEPENDENT AUDITOR'S REPORT**
**ON SUPPLEMENTARY INFORMATION**

The Board of Directors and Stockholders
Lorenzo Shipping Corporation
20th Floor Times Plaza Building
United Nations Avenue, Ermita, Manila

We have audited in accordance with Philippine Standards on Auditing, the financial statements of Lorenzo Shipping Corporation (the Company) as at December 31, 2023 and 2022, and for each of the three years in the period ended December 31, 2023, and have issued our report thereon dated April 8, 2024. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information contained in the attached statements of financial position as of December 31, 2023 and 2022 and statements of income for each of the three years in the period ended December 31, 2023 of the vessel operations of the Company in this Annual Report is presented for the purpose of additional analysis and is not a required part of the basic financial statements but is supplementary information as set forth in this Annual Report required by Section 17 (h) of Commonwealth Act No. 146 as amended. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

[redacted]

Peter John R. Ventura
Partner
CPA Certificate No. 0113172
[redacted]
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
BIR Accreditation No. 08-001998-140-2021, November 10, 2021, valid until November 9, 2024
PTR No. 10082030, January 6, 2024, Makati City

April 8, 2024

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**INDEPENDENT AUDITOR'S REPORT ON**
**COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS**

The Board of Directors and Stockholders
Lorenzo Shipping Corporation
20th Floor Times Plaza Building
United Nations Avenue
Ermita, Manila

We have audited in accordance with Philippine Standards on Auditing, the financial statements of Lorenzo Shipping Corporation (the Company) as at December 31, 2023 and 2022 and for each of the three years in the period ended December 31, 2023, and have issued our report thereon dated April 8, 2024. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Company's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRSs. The components of these financial soundness indicators have been traced to the Company's financial statements as at December 31, 2023 and 2022 and for each of the three years in the period ended December 31, 2023 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

[redacted]

Peter John R. Ventura
Partner
CPA Certificate No. 0113172
[redacted]
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
BIR Accreditation No. 08-001998-140-2021, November 10, 2021, valid until November 9, 2024
PTR No. 10082030, January 6, 2024, Makati City

April 8, 2024

## LORENZO SHIPPING CORPORATION
## INDEX TO THE SUPPLEMENTARY SCHEDULES

## SCHEDULE I
## RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
## As at December 31, 2023

## LORENZO SHIPPING CORPORATION
**20th Floor Times Plaza Building, United Nations Avenue, Ermita Manila**

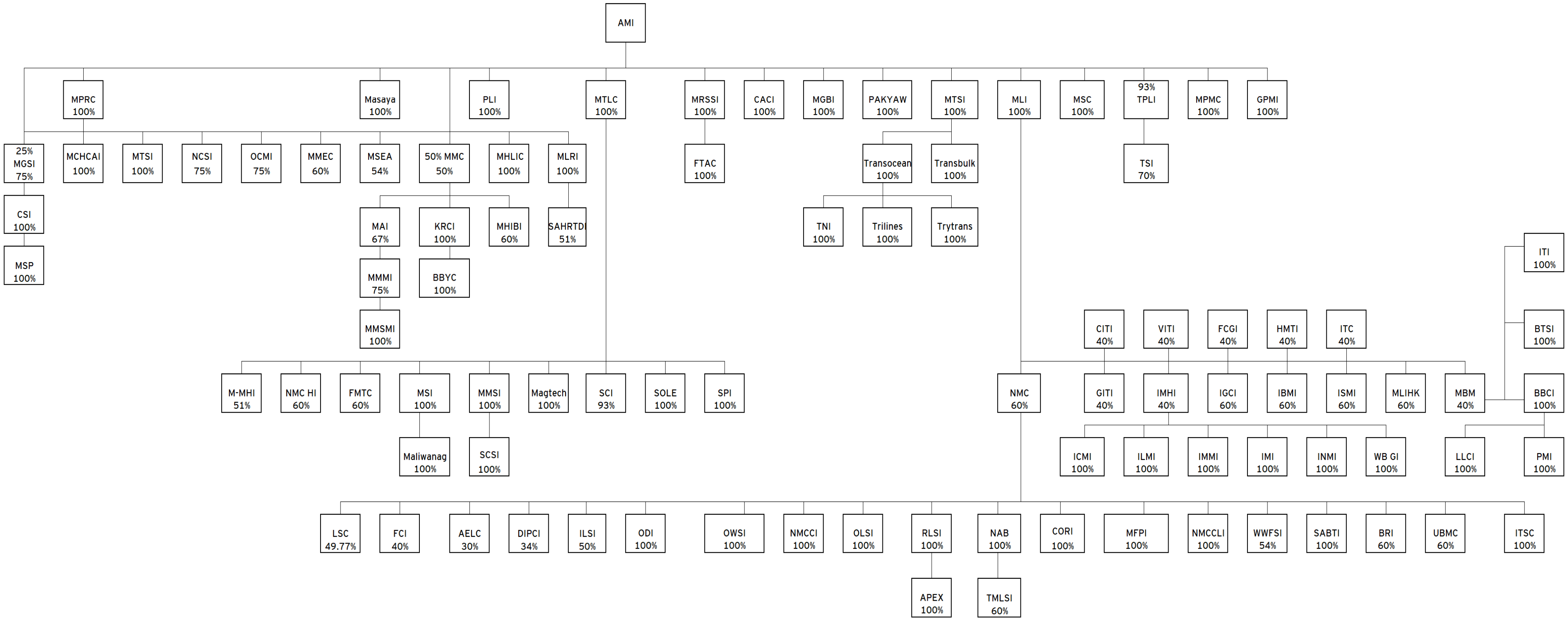
| | | |
|---|---|---|
| **Unappropriated Retained Earnings, beginning of reporting period** | | **(₱688,094,969)** |
| **Add: Net income for the current year** | | **₱95,786,355** |
| **Add: Category D: Non-actual losses recognized in profit or loss during the reporting period (net of tax)** | | |
| Unrealized foreign exchange loss, except those attributable to cash | | **607,382** |
| **Less: Category F: Other items should be excluded from the determination of the amount available for dividends distribution** | | |
| Net movement of deferred tax asset not considered in the reconciling items under the previous categories | 26,987,251 | |
| Net movement in deferred tax asset and deferred tax liabilities related to same transaction, e.g. set up of right of use asset and lease liabilities | 3,943,546 | |
| Subtotal | | **30,930,797** |
| **Total Retained Earnings, end of the reporting period available for dividend** | | **(₱622,632,029)** |

# SCHEDULE II

## MAP SHOWING THE RELATIONSHIPS BETWEEN AND AMONG THE COMPANY AND ITS ULTIMATE PARENT COMPANY, MIDDLE PARENT, SUBSIDIARIES OR CO-SUBSIDIARIES, ASSOCIATES, WHEREVER LOCATED OR REGISTERED

## PURSUANT TO REVISED SRC RULE 68

## DECEMBER 31, 2023



| Abbreviation | Company Name |
|---|---|
| AMI | A. Magsaysay, Inc. |
| MASAYA | Masaya Realty Company, Inc. |
| PLI | Peoplelink, Incorporated |
| MRSSI | Magsaysay Resources and Support Services, Inc. |
| FTAC | Fairex Trading Asia Corporation |
| CACI | CreativesAsia Company, Inc. |
| MGBI | Magsaysay Global BPO, Inc. |
| PAKYAW | Pakyaw.Com, Inc. |
| MSC | Magsaysay Shipping Corporation |
| MPMC | Magsaysay Property Management Corporation |
| GPMI | Global Process Manager, Inc. |
| TPLI | TravelPeople Ltd, Inc. |
| TSI | TravelServices, Inc. |
| MLIHK | Magsaysay Lines, Inc. - Hong Kong |
| MPRC | Magsaysay People Resources Corp. |
| MGSI | Magsaysay Global Services, Inc. |
| CSI | Careline Services, Inc. |
| MSP | Medical Staffing Pro |
| MCHCAI | Magsaysay Center of Hospitality and Culinary Arts Inc. |
| NCSI | Navia Crewing Services, Inc. |
| MSEA | Magsaysay Seacor, Inc. |
| MHLIC | Magsaysay Human Language Institute Corp |
| MLRI | Magsayay Learning Reasources, Inc. |
| SAHRTDI | Star of Asia Human Resource Training and Development, Inc. |
| MMC | Magsaysay Maritime Corporation |
| MAI | Magsaysay Agencies, Inc. |
| MMMI | Magsaysay MOL Marine, Inc. |
| MMSMI | Magsaysay MOL Ship Management, Inc. |
| KRCI | Kaligayahan Realty Co., Inc. |
| BBYC | Boracay Beach and Yatch Club, Inc. |
| MHIBI | Magsaysay Houlder Insurance Brokers, Inc. |
| MLI | Magsaysay Lines, Inc. |
| MTSI | Magsaysay Trade and Shipping, Inc. |
| TRANSOCEAN | Transocean Transport Corporation |
| TRANSBULK | Transbulk Shipping Corp |
| TNI | Transportes Navieros, Inc |
| TRILINES | Trilines Shipping, Inc. |
| TRYTRANS | Trytrans Shipping Corporation |
| IGCI | Isla Gas Carriers Inc. |
| IBMI | Isla Bohol Maritime Inc. |
| ISMI | Isla Samar Maritime Inc. |
| NMC | National Marine Corporation |
| LSC | Lorenzo Shipping Corporation |
| FCI | Fastcranes, Inc. |
| AELC | Asiaport Equipment and Logistics Corporation |
| DIPCI | Dapitan Integrated Port Complex, Incorporated |
| ILSI | Icebox Logistics Services, Inc. |
| ODI | One Stop Distribution, Inc. |
| OWSI | One Stop Warehousing Solutions, Inc. |
| NMC CI | NMC Chartering Co., Inc. |
| OLSI | One Stop Logistics Solutions, Inc. |
| RLSI | Road Link Solutions, Inc. |
| CORI | Clean Oil Resources, Inc. |

| Abbreviation | Company Name |
|---|---|
| MFPI | Marine Fuels Philippines, Inc. |
| NMC CLI | NMC Container Lines, Inc. |
| WWFSI | World Wide Food Supply, Inc. |
| SABTI | Southeast Asian Bunkers and Terminals, Inc. |
| ITSC | Islas Tankers Seatransport Corporation |
| NAB | NMC Ship Agency and Brokerage, Inc. |
| BRI | Bestenergy Resources, Inc. |
| UBMC | Union Bulk Maritime Corporation |
| APEX | Apex Equipment Corporation |
| TMLSI | T.M Logistics Solutions, Inc. |
| MTLC | Magsaysay Transport and Logistics Corp. |
| NMC HI | NMC Holdings, Inc. |
| FMTC | Filipinas Maritime Transport Corporation |
| MSI | Magsaysay Shipmanagement, Inc. |
| MMSI | Magsaysay Marine Services, Inc. |
| MALIWANAG | Maliwanag Realty Company, Inc. |
| SCSI | SC Ship Services, Inc. |
| MAGTECH | Magtech Solutions and Marine Consultancy Services, Inc. |
| SCI | Sun Cruises, Inc. |
| SOLE | Sole Cruises, Inc, |
| SPI | Storage Philippines, Inc. |
| MBM | MBM Maritime Holdings, Inc. |
| BBCI | Batangas Bay Carriers, Inc. |
| LLCI | Laguna Lake Carriers, Inc. |
| PMI | Paros Maritime, Inc. |
| IMHI | Islas Maritime Holdings, Inc. |
| BTSI | Batangas Trader Shipping, Inc. |
| ITI | Isla Tankers, Inc. |
| CITI | Cuyo Island Tankers, Inc. |
| FGCI | Filipinas Gas Carriers, Inc. |
| GITI | Guimaras Island Tankers, Inc. |
| HMTI | Harvest Moon Tankers, Inc. |
| ICMI | Isla Cebul Maritime Inc. |
| ILMI | Isla Luzon Maritime Inc. |
| IMMI | Isla Mindanao Maritime Inc. |
| IMI | Isla Mindoro Maritime Inc. |
| INMI | Isla Negros Maritime Inc. |
| ITC | Isla Tankers Shipping Copr. |
| WB GI | WB Gas, Inc. |
| VITI | Verde Island Tankers, Inc. |
| OCMI | Orione Crewing Management, Inc. |
| MMEC | MM Empower Corp. |
| M-MHI | Magsaysay-Mlg Holdings, Inc. |

# SCHEDULE III
# LORENZO SHIPPING CORPORATION
## SCHEDULE A
## FINANCIAL ASSETS
## December 31, 2023

| Name of issuing entity and association of each issue | Number of shares or principal amount of bonds and notes | Amount shown in the statement of financial position | Income received and accrued |
|---|---|---|---|
| Cash and cash equivalents: | ₱– | ₱99,128,666 | ₱91,621 |
| Trade and other receivables: | – | | – |
| Trade | – | 564,024,184 | – |
| Non-trade | – | 20,904,133 | – |
| Insurance claims | – | – | – |
| Receivables from officers and employees | – | 3,487,903 | – |
| Other receivables | – | 38,176,501 | – |
| Deposit included in “Other noncurrent assets” | – | 16,477,051 | – |
| **Total** | **₱–** | **₱742,198,438** | **₱91,621** |

**LORENZO SHIPPING CORPORATION**
**SCHEDULE B**
**AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)**
**December 31, 2023**

| Name and Designation of debtor | Balance at beginning of period | Additions | Amounts collected | Amounts written off | Current | Not Current | Balance at end of period |
|---|---|---|---|---|---|---|---|

**NOT APPLICABLE**

**LORENZO SHIPPING CORPORATION**
**SCHEDULE C**
**AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING CONSOLIDATION**
**December 31, 2023**

| Name and Designation of Debtor | Balance at beginning of period | Additions | Amounts collected | Amounts written off | Current | Not Current | Balance at end of period |
|---|---|---|---|---|---|---|---|

**NOT APPLICABLE**

**LORENZO SHIPPING CORPORATION**
**SCHEDULE D**
**INTANGIBLE ASSETS - OTHER ASSETS**
**December 31, 2023**

| Description | Beginning balance | Additions at Cost | Charged to cost and expenses | Charged to other accounts | Other changes additions (deductions) | Ending balance |
|---|---|---|---|---|---|---|
| Computer software | ₱3,956,598 | ₱– | (₱895,833) | ₱– | ₱– | ₱3,060,765 |

**LORENZO SHIPPING CORPORATION**
**SCHEDULE E**
**LONG TERM DEBT**
**December 31, 2023**

| Title of Issue and type of obligation | Amount authorized by indenture | Amount shown under caption "Current portion of long-term debt" | Amount shown caption "Long-term Debt" | Notes |
|---|---|---|---|---|
| China Banking Corporation | ₱200,000,000 | ₱22,222,222 | ₱– | Balance of loan obtained from CBC of ₱200.00 million, maturing on October 22, 2024 and payable quarterly in 36 equal quarterly installments starting January 22, 2016. Annual interest rate is equal to BVAL rate plus 1.25% inclusive of Gross Receipts Tax rate (GRT) and Bangko Sentral ng Pilipinas (BSP) overnight borrowing rate plus spread of 0.125% inclusive of GRT whichever is higher, subject to quarterly repricing. |
| China Banking Corporation | 200,000,000 | 22,222,222 | 16,666,667 | Balance of loan obtained from China Banking Corporation (CBC) of ₱200.00 million, availed of last September 9, 2015 and will mature on September 9, 2025. The loan is payable quarterly in 36 equal quarterly installments starting December 9, 2016. Annual interest rate is equal to 90-day BVAL rate plus 1.25% inclusive of GRT and BSP overnight borrowing rate plus spread of 0.125% inclusive of GRT whichever is higher, subject to quarterly repricing. |

*Forward*

| Title of Issue and type of obligation | Amount authorized by indenture | Amount shown under caption "Current portion of long-term debt" | Amount shown caption "Long-term Debt" | Notes |
|---|---|---|---|---|
| Rizal Commercial Banking Corporation | 137,000,000 | 22,833,333 | 55,180,557 | Balance of loan obtained from RCBC of ₱137.00 million, availed last May 6, 2020 and will mature on May 6, 2027. The loan is payable monthly in 72 equal monthly installments starting May 6, 2021. Annual interest rate is equal to the BVAL plus 2.5% spread. |
| **Total** | **₱537,000,000** | **₱67,277,777** | **₱71,847,224** | |

# LORENZO SHIPPING CORPORATION
## SCHEDULE F
## INDEBTEDNESS TO RELATED PARTIES (LONG - TERM LOANS FROM RELATED COMPANIES)
## December 31, 2023

| Name of the Related Party | Balance at beginning of period | Balance at end of period |
|---|---|---|
| Marine Fuel Philippines, Inc. | ₱150,305,719 | ₱200,410,450 |

**LORENZO SHIPPING CORPORATION**
**SCHEDULE G**
**GUARANTEES OF SECURITIES OF OTHER ISSUERS**
**December 31, 2023**

| Name of the issuing entity of securities guaranteed by the company for which the statement is filed | Title of issue of each class of securities guaranteed | Total amount guaranteed and outstanding | Amount owned by person for which statement is lifted | Nature of guarantee |
|---|---|---|---|---|

**NOT APPLICABLE**

**LORENZO SHIPPING CORPORATION**
**SCHEDULE H**
**CAPITAL STOCK**
**December 31, 2023**

| Title of issue | Number of shares authorized | Number of shares issued and outstanding and shown under related balance sheet caption | Number of shares reserved for options, warrants, conversion and other rights | No of shares held by | | | Treasury Shares |
|---|---|---|---|---|---|---|---|
| | | | | Affiliates | Directors, Officers and Employees | Others | |
| Common shares | **991,183,999** | **555,652,251** | **–** | **452,982,361** | **248,002** | **101,411,888** | **1,010,000** |

# LORENZO SHIPPING CORPORATION
# SCHEDULE SHOWING FINANCIAL SOUNDNESS
# PURSUANT TO REVISED SRC RULE 68
# DECEMBER 31, 2023, 2022 and 2021

| **Ratio** | **Formula** | **2023** | 2022 | 2021 |
|---|---|---|---|---|
| Current/Liquidity ratios: | | | | |
| Current ratio | Current assets divided by current liabilities | **0.49** | 0.49 | 0.52 |
| Quick ratio | Cash and cash equivalents plus trade and other receivables plus contract assets divided by current liabilities | **0.36** | 0.39 | 0.46 |
| Solvency ratios and debt to equity ratio: | | | | |
| Debt-to-equity ratio | Total debt divided by total equity | **5.63** | 6.68 | 7.47 |
| Solvency ratio | Total assets divided by total debt | **1.18** | 1.15 | 1.13 |
| Financial leverage ratios: | | | | |
| Asset-to-equity ratio | Total asset divided by total equity | **6.63** | 7.68 | 8.47 |
| Interest rate coverage ratio | Earnings before interests and taxes divided by total interest expense | **2.56** | -1.39 | 0.91 |
| Profitability ratios: | | | | |
| Return on assets | Net income (loss) divided by total asset | **3.10%** | 0.63% | -2.96% |
| Return on equity | Net income (loss) divided by total equity | **20.53%** | 4.88% | -25.11% |
| Net profit margin | Net income (loss) divided by total revenue | **2.92%** | 0.56% | -2.95% |