

COVER SHEET

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S.E.C. Registration Number

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(Company's Full Name)

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

AMELITA M. INTALAN

Contact Person

8527-5555

Company Telephone Number

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Month Day Year

Fiscal Year

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FORM TYPE

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Month Day Year

Annual Meeting

Secondary License Type, If Applicable

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Dept. Requiring this Doc.

Amended Articles Number/Section

Total no. of Stockholders

Total Amount of Borrowings

	Total / Average

Domestic

of Borrowings

Foreign

To be accomplished by SEC Personnel concerned

[illegible]

File Number

LCU

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Document I.D.

Cashier

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SEC Number 48909

FILE Number

LORENZO SHIPPING CORPORATION

(Registrant's Full Name)

20TH FLOOR, TIMES PLAZA BUILDING
UNITED NATIONS AVENUE, ERMITA, MANILA

(Registrant's Address)

(632) 567-21-71 TO 80

Telephone Numbers

September 30, 2024

(Quarter Ending)

QUARTERLY INTERIM FINANCIAL STATEMENTS (SEC FORM 17-Q)

(Form Type)

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended: 30 Sep 2024

2. Commission Identification Number: 48909

3. BIR Tax Identification Number: 000-628-958

4. Exact name of registrant as specified in its charter:

Lorenzo Shipping Corporation

5. Province, country or other jurisdiction of incorporation or organization:

Manila, Philippines

6. Industry classification code: (SEC Use Only)

7. Address of registrant's principal office: Postal code: 1000

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

8. Registrant's telephone number including area code:

(632) 8527-5555

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

N/A

10. Securities registered pursuant to SRC Rule 68.1

Title of Each Class	Number of Shares Issued and outstanding
Common Stock	554,642,251

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

Yes ☒

No ☐

12. Indicate by check mark whether the registrant:

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

Yes ☒

No ☐

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

Yes ☒

No ☐

PART 1 - FINANCIAL INFORMATION

Item 1. Financial Statements

Financial Statements and if applicable, Pro-Forma Financial Statements meeting the requirements of SRC Rule 68.1. Form and Content of Financial Statements, shall be furnished as specified therein.

Please refer to attached Exhibit 1

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Please refer to Exhibit 2
Please refer to Exhibit 2.1

SIGNATORIES

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

Lorenzo Shipping Corporation

by:



REYNOLD JOHN B. MADAMBA
President

Date November 12, 2024



AMELITA M. INTALAN
Chief Financial Officer

Date November 12, 2024

Exhibit 1

Financial Statements

LORENZO SHIPPING CORPORATION

Unaudited Statements Of Financial Position

September 30, 2024 and December 31, 2023

(Currency Expressed in Philippine Peso)

	<u>Unaudited</u> September 30 2024	<u>Audited</u> December 31 2023	<u>% Change</u>
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	89,398,547	99,128,666	-10%
Trade and other receivables	553,783,394	647,299,769	-14%
Contract assets	9,468,209	4,041,317	134%
Inventories	61,474,637	61,474,637	0%
Prepayments and other current assets	245,732,864	203,538,050	21%
TOTAL CURRENT ASSETS	959,857,650	1,015,482,439	-5%
NON-CURRENT ASSETS			
Property and equipment, net	1,288,368,266	1,416,568,522	-9%
Computer software	2,388,890	3,060,765	-22%
Deferred tax asset - net	6,995,849	6,995,849	0%
Other noncurrent assets	650,649,631	651,292,082	0%
TOTAL NON-CURRENT ASSETS	1,948,402,636	2,077,917,218	-6%
TOTAL ASSETS	2,908,260,286	3,093,399,657	-6%
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable and other current liabilities	1,737,950,840	1,585,687,460	10%
Short-term borrowings	421,295,279	341,963,292	23%
Current portion of long-term borrowings	16,662,244	67,120,578	-75%
Current portion of lease liabilities	15,713,339	65,247,182	-76%
Current portion of long-term borrowings - related party	-	24,814,918	-100%
TOTAL CURRENT LIABILITIES	2,191,621,702	2,084,833,430	5%
NON-CURRENT LIABILITIES			
Long-term borrowings, net of current portion	71,712,782	71,712,782	0%
Lease liabilities, net of current portion	164,296,787	164,296,787	0%
Long-term borrowings - related party, net of current portion	200,410,451	200,410,450	0%
Retirement benefit obligation	104,047,210	105,611,008	-1%
TOTAL NON-CURRENT LIABILITIES	540,467,230	542,031,027	0%
TOTAL LIABILITIES	2,732,088,931	2,626,864,457	4%
STOCKHOLDERS' EQUITY			
EQUITY			
Common stock - 1 par value	555,652,251	555,652,251	0%
Additional paid-in capital	459,791,492	459,791,492	0%
Revaluation increment	72,643,024	72,643,023	0%
Actuarial losses on defined benefit obligation	(28,605,970)	(28,605,970)	0%
Deficit	(880,183,593)	(589,819,746)	49%
Treasury shares at cost	(3,125,850)	(3,125,850)	0%
TOTAL EQUITY	176,171,355	466,535,200	-62%
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	2,908,260,286	3,093,399,657	-6%

LORENZO SHIPPING CORPORATION

Unaudited Statements of Income (Loss)
September 30, 2024 and September 30, 2023
(Currency Expressed in Philippine Peso)

	3rd Quarter		For nine months ending	
	2024	2023	2024	2023
REVENUES				
Freight	562,255,069	778,496,383	1,857,591,307	2,537,182,860
DIRECT COSTS				
Cost of services	577,673,538	688,652,031	1,776,077,837	2,032,897,624
Terminal expenses	66,573,943	63,184,565	188,096,838	183,700,121
Total	644,247,481	751,836,596	1,964,174,674	2,216,597,745
GROSS PROFIT	(81,992,412)	26,659,787	(106,583,368)	320,585,115
GENERAL AND ADMINISTRATIVE EXPENSES	(35,852,652)	(32,885,852)	(137,963,182)	(135,183,816)
	-			
FINANCE COSTS, net	(19,392,435)	(15,327,821)	(49,422,907)	(42,763,195)
OTHER INCOME (CHARGES), net	11,062,269	(6,704,433)	4,147,414	3,070,920
	-			
INCOME BEFORE INCOME TAX	(126,175,230)	(28,258,319)	(289,822,042)	145,709,024
PROVISION FOR INCOME TAX	414,950	(7,073,430)	541,805	36,409,853
NET INCOME (LOSS)	(126,590,180)	(21,184,889)	(290,363,847)	109,299,171
EARNING (LOSS) PER SHARE				
Basic/Diluted	(0.23)	(0.04)	(0.52)	0.20

LORENZO SHIPPING CORPORATION

Unaudited Statements of Comprehensive Income (Loss)

September 30, 2024 and September 30, 2023

(Currency Expressed in Philippine Peso)

	2024 Jul - Sept	2023 Jul - Sept	2024 Jan - Sept	2023 Jan - Sept
NET INCOME (LOSS)	(126,590,180)	(21,184,889)	(290,363,847)	109,299,171
OTHER COMPREHENSIVE INCOME	-	-	-	-
TOTAL COMPREHENSIVE INCOME (LOSS)	(126,590,180)	(21,184,889)	(290,363,847)	109,299,171

Unaudited Statements of Changes in Equity
September 30, 2024 and September 30, 2023
(Currency Expressed in Philippine Peso)

	Common Stock	Additional Paid-in Capital	Revaluation Increment	Actuarial Gains (Losses) on Retirement Benefit Obligation	Deficit	Treasury Shares	Total
Balances at December 31, 2023	555,652,251	459,791,492	72,643,024	(28,605,970)	(589,819,745)	(3,125,850)	466,535,202
Net income for the period	-	-			(290,363,847)		(290,363,847)
Cash Dividends Declared	-	-	-		-	-	-
Balances at September 30, 2024	555,652,251	459,791,492	72,643,024	(28,605,970)	(880,183,592)	(3,125,850)	176,171,355
Balances at December 31, 2022	555,652,251	459,791,492	72,643,023	(17,850,964)	(685,606,101)	(3,125,850)	381,503,852
Net income for the period	-	-			109,299,172		109,299,172
Cash Dividends Declared	-	-	-		-	-	-
Balances at September 30, 2023	555,652,251	459,791,492	72,643,023	(17,850,964)	(576,306,929)	(3,125,850)	490,803,024

LORENZO SHIPPING CORPORATION
Unaudited Statements of Cash Flows
For the Period Ending September 30, 2024 and September 30, 2023
(Currency Expressed in Philippine Peso)

	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (Loss) before income tax	(289,822,042)	145,709,024
Adjustments for:		
Provision for:		
Doubtful accounts		12,777,165
Inventory losses		
Depreciation /Amortization	196,810,488	116,457,736
Interest Income	(35,023)	(69,613)
Interest Expense	49,422,907	42,763,195
Pension Costs	(1,563,798)	3,432,273
Receivables written off		
Loss (Gain) on:		
Disposal of property and equipment		
Operating income before working capital changes	(45,187,468)	321,069,781
Increase in current assets		
Receivables	93,516,374	43,317,847
Contract Assets	(5,426,892)	2,237,869
Prepayments	(42,194,814)	(110,070,198)
Other noncurrent assets	642,451	(2,380,170)
Decrease in accounts payable and accrued expenses	151,721,574	21,538,020
Cash generated from operations	153,071,226	275,713,150
Interest received	35,023	69,613
Net cash flow provided by operating activities	153,106,249	275,782,763
CASH FLOWS FROM INVESTING ACTIVITIES		
(Increase) Decrease in:		
Other assets		671,875
Additions to property and equipment	(67,938,357)	(102,552,510)
Proceeds from disposal of property and equipment		
Interest received		
Net cash flow used in investing activities	(67,938,357)	(101,880,635)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in:		
Obligations under finance lease/lease liability	(49,533,843)	(21,098,715)
Payments of short-term borrowings	(65,068,013)	(79,577,624)
Proceeds from short-term borrowings	144,400,000	83,000,000
Proceeds from long-term borrowings		-
Payments of long-term borrowings	(50,458,333)	(68,458,333)
Advances from Shareholders/Members		
Interest paid	(49,422,907)	(42,763,195)
Long-term borrowing - related party - current portion	(24,814,917)	
Net cash flows used in financing activities	(94,898,014)	(128,897,867)
NET INCREASE (DECREASE) IN CASH ON HAND AND IN BANKS DURING THE PERIOD		
	(9,730,119)	45,004,261
CASH ON HAND AND IN BANKS		
Beginning	99,128,666	62,526,759
Ending	89,398,547	107,531,020

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 19), 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. Summary of Material Accounting Policy Information

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. 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. Summary of 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.

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.

5. Cash and Cash Equivalents

	2024	2023
Cash on hand	₱923,000	₱728,000
Cash in banks	87,943,689	97,868,808
Cash equivalents	531,858	531,858
	₱89,398,547	₱99,128,666

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 ₱0.035 million, ₱.070 million, and ₱.083 million in Third Quarters of 2024, 2023, and 2022, respectively (see Note 19).

6. Trade and Other Receivables and Contract Assets

	2024	2023
Trade:		
Third parties	₱565,849,181	₱662,716,609
Related parties	26,404,628	54,836,252
	592,253,809	717,552,861
Less allowance for ECL	162,895,290	153,528,677
	429,358,519	564,024,184
Non-trade - related parties	19,453,929	20,904,133
Others	104,970,946	62,371,452
	₱553,783,394	₱647,299,769

- 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 ₱9.47 million and ₱4.04 million as of September 30, 2024 and December 31, 2023, respectively, which is net of allowance for ECL of ₱0.07 million.

7. Inventories

As of September 30, 2024 and December 31, 2023, fuel, diesel and lubricants amounted to ₱61.47 million for both years. These are carried at cost, which is lower than the net realizable value.

8. Prepayments and Other Current Assets

	2024	2023
CWTs	₱56,149,398	₱28,359,240
Input VAT	72,897,691	76,088,568
Prepaid expenses	18,320,679	12,388,589
Advances to suppliers	96,527,028	84,863,585
Others	1,838,068	1,838,068
	₱245,732,864	₱203,538,050

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

September 30, 2024

	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, 2024	₱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
Additions	50,339,581	-	-	-	-	657,183	608,400	15,349,272	280,402	-	67,234,838
Derecognition	(3,337,925)	-	-	-	(1,338,024)	-	-	-	-	-	(4,675,949)
Balances at December 31, 2024	2,332,942,314	420,125,232	18,737,915	65,166,025	294,830,568	81,435,244	34,698,618	407,989,035	280,402	392,850,544	4,049,055,897
Accumulated depreciation											
Balances at January 1, 2024	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
Depreciation for the year (Notes 15, 16 and 17)	104,497,101	-	801,798	625,226	320,742	1,050,834	349,290	18,908,766	-	64,205,388	190,759,145
Balances at December 31, 2024	1,507,600,134	393,839,479	15,787,145	60,911,503	260,617,047	79,370,431	28,081,785	347,089,960	-	243,286,147	2,936,583,631
Net book values	₱825,342,180	₱26,285,753	₱2,950,770	₱4,254,522	₱34,213,521	₱2,064,813	₱6,616,833	₱60,899,075	₱280,402	₱149,564,397	₱1,112,472,266

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

10. Computer Software

	2024	2023
Cost	₱4,479,168	₱4,479,168
Accumulated amortization:		
Beginning balance	1,418,403	522,570
Amortization (Note 16)	671,875	895,833
Ending balance	2,090,278	1,418,403
Net book values	₱2,388,890	₱3,060,765

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

	2024	2023
CWTs - net of current portion	₱526,253,103	₱526,253,103
Deferred input VAT	107,304,850	108,036,651
Deposits - net of allowance for impairment loss amounting to ₱4.10 million in 2023 and 2022	16,566,401	16,477,051
Others	525,277	525,277
	₱650,649,631	₱651,292,082

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

	2024	2023
Trade:		
Third parties	₱815,932,421	₱548,950,185
Related parties	391,252,574	539,274,054
Output VAT payable	94,423,788	90,952,770
Deferred output VAT	14,064,225	65,549,598
Accrued expenses:		
Outside services	45,650,743	55,788,153
General and administrative	51,086,223	52,957,020
Repairs, maintenance and supplies for vessels	44,196,630	15,363,660
Hustling, trucking and labor services	3,430,201	4,188,311
Other taxes payable	6,088,179	8,201,117
Other accrued expenses	7,330,922	4,027,727

	2024	2023
Amounts owed to a related party	166,845,214	192,894,192
Others	97,649,720	7,540,673
Total	₱1,737,950,840	₱1,585,687,460

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 include 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:

	2024	2023
Bank of the Philippine Islands (BPI)	₱167,885,000	₱168,885,000
Banco de Oro Unibank Inc. (BDO)	89,970,279	97,878,292
Metropolitan Bank and Trust Company (MBTC)	63,440,000	34,200,000
Chinabank Corporation (CBC)	100,000,000	41,000,000
	₱421,295,279	₱341,963,292

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

	2024	2023
Balances at beginning of year	₱341,963,292	₱320,640,916
Net availments (payments)	79,331,987	21,322,376
Balances at end of year	₱421,295,279	₱341,963,292

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:

	2024	2023
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.	₱60,888,889	₱78,013,890
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.	22,222,222	38,888,889
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.	5,555,556	22,222,222
	88,666,667	139,125,001
Less deferred financing costs	(291,641)	(291,641)
	88,375,026	138,833,360
Less current portion	(16,662,244)	(67,120,578)
Noncurrent portion	₱71,712,782	₱71,712,782

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

	2024	2023
Balances at beginning of year	₱138,833,360	₱239,807,730
Amortization of deferred financing cost	-	303,408
Payments	(50,458,334)	(101,277,778)
Balances at end of year	₱88,375,026	₱138,833,360

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.

Interest paid on short-term and long-term borrowings amounted to ₱36.77 million, and ₱38.76 million in September 30, 2024, and September 30, 2023, respectively.

14. Freight Revenue

Disaggregated Revenue Information

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

	Sept. 30, 2024	Sept. 30, 2023
Ocean freight	₱1,193,537,530	₱1,616,958,875
Other vessel revenues:		
Trucking	237,670,108	297,815,562
Port charges	419,141,467	608,028,056
Storage	7,242,202	14,380,367
	₱1,857,591,307	₱2,537,182,860

Contract Balances

Trade receivables

The Company's trade receivables, net of allowance for ECL, amounted to ₱429.36 million and ₱564.02 million as at September 30, 2024 and December 31, 2023, respectively (see Note 6).

Contract assets

The Company's contract assets amounted to ₱9.47 million and ₱4.04 million as at September 30, 2024 and December 31, 2023, 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

	Sept 30, 2024	Sept 30, 2023
Materials, supplies and facilities (Note 7)	₱529,289,199	₱558,998,540
Outside services		
Trucking	286,304,137	478,813,633
Sea transport service	217,058,623	172,135,606
Arrastre	132,449,851	174,733,191
Cargo charges	92,011,456	132,223,978
Craneage	81,669,182	96,467,743
Stevedoring charges	53,977,650	61,409,080
Vessel related charges	53,785,642	47,233,823
Container rental	27,656,451	37,313,350
Depreciation (Note 9)	126,743,793	95,833,955
Voyage	43,703,693	57,692,866
Personnel cost	51,381,222	61,292,474
Vessel insurance	50,077,949	46,959,421
Taxes and licenses	3,111,397	2,438,877
Others	26,857,592	9,351,087
	₱1,776,077,837	₱2,032,897,624

16. Terminal Expenses

	Sept 30, 2024	Sept 30, 2023
Depreciation (Notes 9 and 10)	₱64,877,264	₱15,429,725
Materials, supplies and facilities (Note 7)	32,714,285	46,474,941
Personnel cost	32,284,547	29,250,882
Outside services	27,977,678	27,134,549
Rental	16,005,385	50,227,521
Lift-on/lift-off (LOLO) charges	1,465,772	4,073,018
Lease amortization	144,161	
Others:		
Utilities	4,504,929	4,281,873
Office supplies	1,513,439	1,068,026
Taxes and licenses	1,252,617	874,924
Container van insurance	1,333,458	581,744
Other terminal charges	4,023,303	4,302,918
	₱188,096,838	₱183,700,121

Outside services include security and temporary services.

17. General and Administrative Expenses

	Sept 30, 2024	Sept 30, 2023
Personnel cost	₱48,323,764	₱44,989,307
Outside services	32,234,108	34,877,558
Provision for ECL on trade receivables and contract assets (Note 6)	9,366,613	12,777,165
Taxes and licenses	23,987,285	13,521,170
Depreciation (Note 9)	5,189,432	5,194,057
Communication, light and water	5,107,956	5,081,544
Transportation and travel	3,541,950	3,899,512
Employees' training and staff meeting	1,075,651	1,395,843
Supplies (Note 7)	2,259,702	3,074,252
Service fees	2,789,591	1,705,246
Repairs and maintenance	842,347	1,463,900
Rental	(949,299)	194,869
Entertainment, amusement and recreation	890,117	650,351
Advertising	464,576	239,122
IT subscription licenses	127,300	126,300
Others	2,712,089	5,993,620
	₱137,963,182	₱135,183,816

18. Finance Costs and Other Charges

	Sept 30, 2024	Sept 30, 2023
Interest expense on:		
Borrowings	₱36,770,247	₱38,763,081
Lease liabilities	12,003,715	3,644,427
Bank and other financing charges	648,945	355,687
	₱49,422,907	₱42,763,195

19. Other Income (Charges) - Net

	Sept 30, 2024	Sept 30, 2023
Rental income and others	₱4,626,547	₱2,778,230
Income (loss) from insurance claims	(6,633,288)	421,294
Net foreign exchange losses	6,307,192	(198,217)
Interest income from bank deposits (Note 5)	35,023	69,613
Gain on disposal of property and equipment	(188,060)	
	₱4,147,414	₱3,070,920

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.

20. 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.

21. Earnings (Loss) Per Share

Following are the bases for the computation of loss per share as of September 30:

	Sept 30, 2024	Sept 30, 2023
Net income (loss) available to common shareholders	(₱290,363,847)	₱109,299,171
Weighted average number of outstanding common shares	554,642,251	554,642,251
Basic and diluted earnings (loss) per share	(₱0.52)	₱0.20

Exhibit 2

Management's Discussion

LORENZO SHIPPING CORPORATION
Management Discussion and Analysis or Plan of Operation
For the Nine Months Period Ending September 30, 2024, and 2023

RESULTS OF OPERATION

Lorenzo Shipping Corporation's (LSC or the "Company") total revenues for the nine months ending September 30, 2024, amounted to P1.86 billion. This was P.68 billion lower than the revenues reported over the same period in 2023. TEU volumes were lower by 26.22% compared to last year. The decrease was due to fewer voyages attributable to a slowdown in domestic consumption coupled with necessary maintenance and repairs for several vessels.

The Company ended the third quarter with a gross loss of P106.58 million, a significant decrease of P427.17 million compared with the same period in 2023. The gross loss stemmed mainly from lower topline revenue due to limited voyages completed as mentioned above.

General and Administrative expenses were P137.96 million. This was P2.78 million higher than last year.

Net finance costs amounted to P49.42 million for the nine months, 16% or P6.66 million higher than P42.76 million over the same period in 2023 due to increased interest rates and short-term borrowings.

In 2024, the Company posted a net "other income" of P4.15 million. These are attributable to insurance claims proceeds and other miscellaneous income.

Considering the above, LSC's operating results for the nine months ending September 30, 2024, was a net loss of P290.36 million compared with a P109.30 million net income over the same period in 2023. The reversal was due mainly to significantly lower revenue as a result of lower number of vessel voyages made. The loss per share was P0.52 in the third quarter of 2024 compared with the income per share of P0.20 over the same period in 2023.

Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA) amounted to a negative P43.75 million in 2024 compared with P304.08 million in 2023.

LSC's comparative financial performance is presented herein:

LORENZO SHIPPING CORPORATION

Unaudited Statements of Income (Loss)
September 30, 2024 and September 30, 2023
(Currency Expressed in Philippine Peso)

	For nine months ending		% Change
	2024	2023	
REVENUES			
Freight	1,857,591,307	2,537,182,860	-27%
DIRECT COSTS			
Cost of services	1,776,077,837	2,032,897,624	-13%
Terminal expenses	188,096,838	183,700,121	2%
Total	1,964,174,674	2,216,597,745	-11%
GROSS PROFIT	(106,583,368)	320,585,115	133%
GENERAL AND ADMINISTRATIVE EXPENSES	(137,963,182)	(135,183,816)	2%
FINANCE COSTS, net	(49,422,907)	(42,763,195)	16%
OTHER INCOME (CHARGES), net	4,147,414	3,070,920	35%
INCOME BEFORE INCOME TAX	(289,822,042)	145,709,024	299%
PROVISION FOR INCOME TAX	541,805	36,409,853	-99%
NET INCOME (LOSS)	(290,363,847)	109,299,171	366%
EARNING (LOSS) PER SHARE			
Basic/Diluted	(0.52)	0.20	366%

FINANCIAL POSITION

As of September 30, 2024, total assets amounted to P2.91 billion, -5.98% or P185.14 million lower than December 31, 2023. Current assets decreased from P1.02 billion to P.96 billion by September 30, 2024, due to decrease in trade and other receivables.

Total non-current assets decreased by P129.51 million from P2.08 billion as of December 31, 2023, to P1.95 billion at the end of the third quarter of 2024, coming from net reductions in the net book values of property and equipment and other non-current assets.

Total liabilities increased by 4% or P105.22 million from P2.63 billion as of December 31, 2023 to P2.73 billion by the end of September 2024. Principal repayments as of September 30, 2024, amounted to P115.53 million. Lease liability decreased to P49.53 million by the end of the third quarter of 2024.

The net loss by the end of the third quarter of 2024 increased the retained deficit of LSC to P880.18 million from the retained deficit of P589.82 million at the end of 2023. Considering the P1.015 billion capitalization of the Company, the total Stockholder's Equity as of September 30, 2024, stood at P176.17 million.

LSC's financial position is presented below:

LORENZO SHIPPING CORPORATION

Unaudited Statements Of Financial Position

September 30, 2024 and December 31, 2023

(Currency Expressed in Philippine Peso)

	Unaudited September 30 2024	Audited December 31 2023	% Change
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	89,398,547	99,128,666	-10%
Trade and other receivables	553,783,394	647,299,769	-14%
Contract assets	9,468,209	4,041,317	134%
Inventories	61,474,637	61,474,637	0%
Prepayments and other current assets	245,732,864	203,538,050	21%
TOTAL CURRENT ASSETS	959,857,650	1,015,482,439	-5%
NON-CURRENT ASSETS			
Property and equipment, net	1,288,368,266	1,416,568,522	-9%
Computer software	2,388,890	3,060,765	-22%
Deferred tax asset - net	6,995,849	6,995,849	0%
Other noncurrent assets	650,649,631	651,292,082	0%
TOTAL NON-CURRENT ASSETS	1,948,402,636	2,077,917,218	-6%
TOTAL ASSETS	2,908,260,286	3,093,399,657	-6%
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable and other current liabilities	1,737,950,840	1,585,687,460	10%
Short-term borrowings	421,295,279	341,963,292	23%
Current portion of long-term borrowings	16,662,244	67,120,578	-75%
Current portion of lease liabilities	15,713,339	65,247,182	-76%
Current portion of long-term borrowings - related party	-	24,814,918	-100%
TOTAL CURRENT LIABILITIES	2,191,621,702	2,084,833,430	5%
NON-CURRENT LIABILITIES			
Long-term borrowings, net of current portion	71,712,782	71,712,782	0%
Lease liabilities, net of current portion	164,296,787	164,296,787	0%
Long-term borrowings - related party, net of current portion	200,410,451	200,410,450	0%
Retirement benefit obligation	104,047,210	105,611,008	-1%
TOTAL NON-CURRENT LIABILITIES	540,467,230	542,031,027	0%
TOTAL LIABILITIES	2,732,088,931	2,626,864,457	4%
STOCKHOLDERS' EQUITY			
EQUITY			
Common stock - 1 par value	555,652,251	555,652,251	0%
Additional paid-in capital	459,791,492	459,791,492	0%
Revaluation increment	72,643,024	72,643,023	0%
Actuarial losses on defined benefit obligation	(28,605,970)	(28,605,970)	0%
Deficit	(880,183,593)	(589,819,746)	49%
Treasury shares at cost	(3,125,850)	(3,125,850)	0%
TOTAL EQUITY	176,171,355	466,535,200	-62%
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	2,908,260,286	3,093,399,657	-6%

Top Five Performance Indicators

The following key results determine LSC's financial performance:

1. Current ratio – this represents the ratio between current assets and current liabilities, which measures the 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, i.e., how much debt was 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 period, taking into account all direct costs related to the cargo and capacity costs incurred during the year.
4. Net income before tax –indicates the financial results of LSC.
5. Accounts receivables (A/R) turnover – measures the efficiency of LSC's collection of its receivables.

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

Performance Indicators	For Nine Months Ending September 30		For Full Year	
	2024	2023	2023	2022
Current Ratio	0.44	0.54	0.49	0.49
Debt-to-equity-ratio	15.51	5.14	5.63	6.68
Net revenues	P1.857 billion	P2.537 billion	P3.281 billion	P3.299 billion
Net income (loss) before tax	P(289.82) million	P145.71 million	P105,141,635	P18,681,648
A/R turnover	4.12	4.31	4.72	4.92

- i. LSC is unaware of any event that will trigger direct or contingent financial obligations that are material to LSC, including any default or acceleration of an obligation.
- ii. LSC is unaware 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 unaware of 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 unaware of any seasonal aspects that had a material effect on operations' financial condition or results.

Plan of Operation

The Company is focusing on restoring schedule integrity as it continuously implements operational efficiency measures such as digitalization, systems upgrade, quality initiatives, cost rationalization, and asset optimization. With the expected upturn in domestic consumption for the last quarter of the year, emphasis will be given to the flexibility of operating strategies while maintaining discipline and excellence. The plan of operation for the last quarter of the year includes the following:

1. Vigilance on vessel and equipment maintenance and service reliability to improve customer experience on cargo deliveries remains the Company's top priority.
2. Adherence to berthing windows at selected main ports to maintain schedule integrity.
3. Focus on maximizing yield per container per voyage to offset the escalation of various expenses and other inflationary effects.
4. Continue with process improvements and innovation to significantly contribute to more efficient operations.
5. Closely monitor billing, collection, payables, and other obligations to ensure continuous support of vendors and service providers.
6. Pay close attention to land- and sea-based employees' physical, mental, and emotional welfare to maintain high morale and maximize productivity.
7. Undertake risk-mitigation measures and continuously strengthen statutory compliances to diminish service disruption and guarantee business continuity.

Exhibit 2.1

Financial Indicators

Accounts Receivable Aging

LORENZO SHIPPING CORPORATION

Financial Indicators

For the Period Ending September 30 2024 and 2023

Financial Ratios	2024	2023
<u>Liquidity Ratios</u>		
Current ratio	0.44	0.54
Accounts receivable turnover	4.12	4.31
Acid test ratio	0.29	0.42
Funds from operations	₱153,106,249	₱275,782,763
<u>Solvency Ratios</u>		
Times interest earned	(1.20)	6.97
Earnings (Loss) before interest and taxes (EBIT)	(₱240,565,481)	₱187,625,625
Earnings (Loss) before interest, taxes, depreciation and amortization (EBITDA)	(₱43,754,993)	₱304,083,361
Debt to equity ratio	15.51	5.14
Debt ratio	0.94	0.84
Equity ratio	0.06	0.16
<u>Profitability Ratios</u>		
Return on revenue or Net profit ratio	-15.6%	4.3%
Operating profit margin	-13.0%	7.4%
Return on total assets (ROA) vs. EBIT	-8.3%	6.2%
Return on assets (ROA)	-10.0%	3.6%
Return on owners' equity	-164.8%	22.3%

LORENZO SHIPPING CORPORATION
ACCOUNTS RECEIVABLES AGING
AS OF 30 SEPTEMBER 2024

<i>Particulars</i>	<i>Total</i>	<i>Current</i>	<i>1 - 30 Days</i>	<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>91 - 120 Days</i>	<i>121-180 Days</i>	<i>181 - 365 Days</i>	<i>366 Days - 2 Years</i>	<i>Over 2 Years</i>
Agencies	6,477,478	1,045,808	728,995	843,258	505,695	172,822	(58,027)	-	-	3,238,928
Branches	75,472,253	20,450,383	5,236,965	740,581	(223,518)	915,960	(818)	(137,524)	11,179,062	37,311,162
Manila	449,595,485	286,120,530	17,449,311	11,344,803	(1,344,030)	531,816	454,720	246,226	(1,782,719)	136,574,828
Grand Total	531,545,216	307,616,721	23,415,271	12,928,643	(1,061,854)	1,620,598	395,875	108,702	9,396,343	177,124,918