COVER SHEET

1 5 2 8 9 7

HARBOR STAR SHIPPING
SERVICES, INC.

(Company's Full Name)

2224 A. BONIFCIO ST., COR.
SOUTH SUPERHIGHWAY, BANGKAL,
MAKATI CITY

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

IGNATIUS A. RODRIGUEZ

Contact Person

(632) 8863703

Company Telephone Number

		DEFINITIVE INFORMATION STATEMENT	
Month	*Day*	FORM TYPE	*Month* *Day*
Fiscal Year			Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stocholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

S T A M P S

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 20-IS
INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:

   [ ] Preliminary Information Statement
   [X] Definitive Information Statement

2. Name of Registrant as specified in its charter: **Harbor Star Shipping Services, Inc.**

3. **Philippines**
   Province, country or other jurisdiction of incorporation or organization

4. SEC Identification Number: **152897**

5. BIR Tax Identification Code: **201-128-653-000**

6. **2224 A. Bonifacio Street corner Pres. Sergio Osmeña Highway, Bangkal, Makati City, 1233**
   Address of principal office Postal Code

7. Registrant's telephone number, including area code **(+632) 8886-3703**

8. **To be conducted virtually on 13 July 2022 via the MS Teams online meeting platform**
   Date, time and place of the meeting of security holders

9. Approximate date on which the Information Statement is first to be sent or given to security holders: **22 June 2021**

10. In case of Proxy Solicitations: **Not Applicable**
    Name of Person Filing the Statement/Solicitor:
    Address and Telephone No.:

11. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

Title of Each Class	Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding
Common	**894,586,870**
Treasury	**13,271,000**

12. Are any or all of registrant's securities listed in a Stock Exchange?
    Yes __X__ No ____

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

    Philippine Stock Exchange **Common Stock**

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

PART I

INFORMATION REQUIRED IN INFORMATION STATEMENT

A. GENERAL INFORMATION

Item 1. Date, time and place of meeting of security holders.

Date of Meeting:	13 July 2022
Time of Meeting:	9:30 a.m.
Place of Meeting:	To be conducted virtually via the MS Teams online meeting platform
Registrant's Mailing Address:	2224 A. Bonifacio St. corner Pres. Sergio Osmeña Highway, Brgy. Bangkal, Makati City 1233
Approximate Date on Which the Information Statement is First Sent Or Given to Security Holders:	22 June 2022

Item 2. Dissenters' Right of Appraisal

A stockholder has the right to dissent and demand payment of the fair value of his shares in the following instances:

(a) In case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;

(b) In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Revised Corporation Code;

(c) In case of merger or consolidation; and

(d) In case of investment of corporate funds for any purpose other than the primary purpose of the corporation.

The appraisal right may be exercised by any stockholder who shall have voted against the proposed corporate action, by making a written demand on the Company within thirty (30) days after the date on which the vote was taken, for payment of the fair value of his shares, provided that failure to make the demand within such period shall be deemed a waiver of the appraisal right. If the proposed corporate action is implemented or effected, the Company shall pay to such dissenting stockholder, upon surrender of the certificate(s) of stock representing his shares within ten (10) days after demanding payment of his shares, the fair value thereof.

In case of disagreement as to the fair value of the shares, the same shall be determined in accordance with the procedure set forth in Section 81 of the Revised Corporation Code. No payment shall be made to any dissenting stockholder unless the Company has unrestricted retained earnings in its books to cover such payment. Upon payment of the shares, the dissenting stockholder shall forthwith transfer his shares to the Company.

There are no matters to be taken up during the Annual Stockholders' Meeting which may trigger the exercise of a stockholder's appraisal right.

Item 3. Interest of Certain Persons in or Opposition to Matters to be Acted Upon

No director or officer of the Company since the beginning of the last fiscal year, nominee for election as director, or associate of the foregoing persons, has any substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon, other than election to office.

No director of the Company has informed it in writing that he intends to oppose any action to be taken by the Company at the meeting.

Market Information

The Company's share was listed in the Philippine Stock Exchange on 30 October 2013. The Company's common stock is traded in the PSE under the stock symbol "TUGS". As of the latest practicable trading date on 31 May 2022, the share prices of the Company were:

		Price/Common Share *(in Philippine Peso)*
Opening	:	1.06
High	:	1.06
Low	:	1.00
Closing	:	1.02

The high and low share prices for 2019, 2020, 2021 and first quarter of 2022 are indicated below:

	Price/Common Share *(in Philippine Peso)*	
Calendar Period	**High**	**Low**
2022		
1st Quarter	0.91	0.68
2021		
4th Quarter	1.07	0.82
3rd Quarter	1.29	1.01
2nd Quarter	1.38	1.12
1st Quarter	1.97	1.05
2020		
4th Quarter	1.85	1.50
3rd Quarter	1.19	0.90
2nd Quarter	0.94	0.81
1st Quarter	1.04	0.61
2019		
4th Quarter	1.68	1.54
3rd Quarter	2.26	1.50
2nd Quarter	3.12	3.01
1st Quarter	3.34	2.69

As of 31 May 2022, Harbor Star's public float is 32.12%.

B. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting Securities and Principal Holders Thereof

(a) Voting securities entitled to be voted at the meeting as of 31 May 2022

Title of Each Class	Number of Shares Outstanding	Number of Votes
Common	894,586,870	One (1) vote per share

As of 31 May 2022, the Company's shareholders consist of the following:

Shares Owned by Filipinos	835,239,800
Shares Owned by Non-Filipinos	59,347,070
Total	894,586,870

(b) Record date

Only stockholders of record in the books of the Company at the end of trading hours at the Philippine Stock Exchange on 09 June 2021 shall be entitled to notice of and to vote at the Annual Stockholders' Meeting.

(c) To ensure the safety and well-being of our shareholders in light of the current circumstances, the Company shall, subject to validation, allow attendance and participation (including voting) only by remote communication, voting in absentia or through the Chairman of the meeting as proxy. A stockholder who votes in absentia as well as a stockholder participating by remote communication shall be deemed present for purposes of quorum. Unless otherwise provided by law, each stockholder shall have one vote for each share of stock entitled to vote and recorded in his name in the books of the Company. Stockholders are entitled to cumulative voting in the election of the board of directors, as provided by the Revised Corporation Code. At all meetings of the stockholders, all elections and all questions shall be decided by the plurality of vote of stockholders present in person or by proxy and entitled to vote thereat, a quorum being present, except in cases where other provision is made under a statute. Voting shall be done by ballots or by proxy. All votes received shall be tabulated by the office of the Corporate Secretary and the stock transfer agent, and shall be validated by an external independent party. The Corporate Secretary shall report the results on the voting of each matter during the meeting.

In the election of Directors, each stockholder shall be entitled to cumulate his votes in the manner prescribed by Title III, Section 23 of the Revised Corporation Code of the Philippines.

(d) Security Ownership of Certain Record and Beneficial Owners and Management

(1) Security Ownership of Certain Record/Beneficial Owners as of 31 May 2022

The record and/or beneficial owners of more than 5% of the outstanding common shares of the Company as of 31 May 2022 are as follows:

Title of Class	Name, Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent
Common	PCD Nominee Corporation* 37/F Tower I, The Enterprise Center, 6766 Ayala Avenue cor. Paseo de Roxas, Makati City Stockholder	PCD participants acting for themselves or for their clients	Filipino	751,358,312	83.99%
Common	PCD Nominee Corporation* 37/F Tower I, The Enterprise Center, 6766 Ayala Avenue cor. Paseo de Roxas, Makati City Stockholder	PCD participants acting for themselves or for their clients	(Non-Filipino)	59,345,570	6.63%

The owners under PCD account holding more than 5% of the outstanding capital stock of the Company as of 31 May 2022 are as follows:

Title of Class	Name and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	No. of Shares Held	Percent
Common	Unicapital Securities Inc. Stockholder	Unicapital Securities Inc. acting for itself or for its clients	203,580,100	22.76%
Common	Abacus Securities Corporation Stockholder	Abacus Securities Corporation acting for itself or for its clients	199,408,451	22.29%

Common	RCBC Securities, Inc.	RCBC Securities, Inc. acting for itself or for its clients	160,195,872	17.91%
	Stockholder			
Common	AB Capital Securities, Inc.	AB Capital Securities, Inc. acting for itself or for its clients	47,518,800	5.31%
	Stockholder			
Common	COL Financial Group, Inc.	COL Financial Group, Inc. acting for itself or for its clients	56,929,890	6.36%
	Stockholder			

Note: *PCD Nominee Corporation is a wholly-owned subsidiary of the Philippine Central Depository, Inc. (PCD), and is the registered owner of the shares in the book of the Company's transfer agent. The participants of the PCD (with respect to securities in the principal accounts) or the clients of such participants (with respect to securities in the participants' client accounts) are, as far as the PCD and PCD Nominee Corporation are concerned, the presumed beneficial owners of such lodged shares. PCD Nominee Corporation merely holds legal title (and not beneficial title) to the Company's lodged shares to facilitate the book-entry trading and settlement of the Company's shares. Except for Abacus Securities Corporation, RCBC Securities, Inc., AB Capital Securities, Inc., and COL Financial Group, Inc., no natural person or juridical entity whose shares are lodged in the name of PCD Nominee Corporation is known to the Company to be directly or indirectly the record or beneficial owner of more than five percent (5%) of the Company's voting securities. The identity of the person(s) who will vote on the shares lodged in the name of the PCD Nominee Corporation shall be verified only upon submission of the proxies with the Office of the Corporate Secretary of the Company which shall be no later than 23 June 2021.

The following table sets forth the top twenty (20) shareholders of the Company's common stock, the number of shares held, and the percentage of total shares outstanding held by each as of 31 May 2022:

	NAME	NUMBER OF SHARES HELD	% OF TOTAL
1	PCD Nominee Corporation (Filipino)	751,358,312	83.99%
2	PCD Nominee Corporation (Non-Filipino)	59,345,570	6.63%
3	Bella Jr., Geronimo P.	42,000,000	4.69%
4	Bella, Ricardo Rodrigo P.	41,553,487	4.64%
5	Maria Elizabeth Jean E. Bella	225,000	Less than 1.0%
6	Galicia, Filomena G.	30,000	Less than 1.0%
7	Villanueva, Myra P.	20,000	Less than 1.0%
8	Villanueva, Milagros P.	19,000	Less than 1.0%
9	Villanueva, Myrna P.	9,000	Less than 1.0%
10	Cabreza, Marietta V.	9,000	Less than 1.0%
11	Cabreza, Juan Carlos V.	9,000	Less than 1.0%

12	Tacub, Felicitas F.	3,000	Less than 1.0%
13	Herrera, Joselito C.	3,000	Less than 1.0%
14	Soliven, Stephen G.	2,500	Less than 1.0%
15	Reiterer, Alfred	1,500	Less than 1.0%
16	Valencia, Jesus San Luis	1,500	Less than 1.0%
17	Bautista, Joselito T.	1	Less than 1.0%

The number of stockholders of record as of the latest practicable date on 15 May 2021 was seventeen (17). Common shares outstanding as of the same date were Eight Hundred Ninety Four Million Five Hundred Eighty Six Thousand Eight Hundred Seventy (894,586,870).

(2) Security Ownership of Management as of 31 May 2022

The aggregate shareholdings in the Company of the Company's directors and executive officers and the percentage of their shareholdings as of 31 May 2022 were as follows:

NAME	**CITIZENSHIP**	**NUMBER OF COMMON SHARES**		**PERCENTAGE OWNERSHIP**
Geronimo P. Bella, Jr.	Filipino	Direct	366,012,998	40.9142%
		Indirect	225,000	0.0002%
Ricardo Rodrigo P. Bella	Filipino	Direct	241,553,487	27.0017%
		Indirect	2,205,000	0.2465%
Ryota Nagata	Japanese	Direct	6,089,645	0.6807%
		Indirect	0	0.0000%
Ceasar Daniel T. Castro	Filipino	Direct	10,000	0.0011%
		Indirect	0	0.0000%
Ramon C. Liwag	Filipino	Direct	15,000	0.0017%
		Indirect	0	0.0000%
Gene S. De Guzman	Filipino	Direct	10,000	0.0011%
		Indirect	0	0.0000%
Gemma V. Sadiua	Filipino	Direct	10,000	0.0011%
		Indirect	0	0.0000%

All of the above-named directors and officers of the Company are the record and/or beneficial owners of the shares of stocks set forth opposite their respective names.

(3) Voting Trust Holders of 5% or More

No person holds at least 5% or more than 5% of a class under a voting trust or similar agreement.

(4) Changes in Control

No change in control in the Company has occurred since the beginning of its last fiscal year.

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

(5) Dividends

The Company's dividend policy empowers its Board of Directors to declare at least 20.0% of the Company's prior year's net income as dividends, whether in stock or in cash or a combination of both, payable out of its unrestricted retained earnings and at such time as the Board may deem proper. No dividend shall be declared that will impair the capital stock of the Company.

On 12 December 2016, the Board of Directors of the Corporation, by a majority vote of its members, and on 06 March 2017, the stockholders of the Corporation, by affirmative vote of two-thirds (2/3) of the outstanding capital stock of the Corporation declared fifty percent (50%) stock dividends equivalent to Three Hundred Two Million Six Hundred Nineteen Thousand Two Hundred Ninety (302,619,290) common shares. On 5 September 2017, after securing the approval of the Securities and Exchange Commission, the Company issued Three Hundred Two Million Six Hundred Nineteen Thousand Two Hundred Ninety (302,619,290) common shares with a par value of One Peso (PHP1.00) per share, as stock dividends to stockholders of record as of 19 September 2017. On 13 October 2017, the stock dividends were listed in the Philippine Stock Exchange.

The Company's dividend policy of declaring a yearly property or cash payout is, as worded, subject to the terms, conditions and restrictions imposed by, among others, the Company's creditors. Several loan agreements entered into by the Company include the standard covenant which requires the consent of the creditor bank prior to the declaration of any dividends. We have been unable to secure the creditors' consent the last 4 years, especially during this time of COVID where the operations and cashflow are severely affected.

We are confident that we can continue to resume declaring dividends once business activities return to normal.

Item 5. Directors and Executive Officers

(a) Incumbent Directors, Including Independent Directors and Executive Officers

The incumbent directors, including independent directors and officers of the Company, with their corresponding ages and citizenships are the following:

NAME	AGE	CITIZENSHIP	POSITION	YEAR APPOINTED
Geronimo P. Bella, Jr.	62	Filipino	Chairman/President	2006
Ricardo Rodrigo P. Bella	56	Filipino	Executive Director/Vice President	2006
Ceasar Daniel T. Castro	47	Filipino	Director	2021
Ramon C. Liwag	66	Filipino	Director	2017
Ryota Nagata	57	Japanese	Director	2011
Gene S. De Guzman	60	Filipino	Independent Director	2020
Gemma V. Sadiua	56	Filipino	Independent Director	2020

NAME	AGE	CITIZENSHIP	POSITION	YEAR APPOINTED
Ignatius Loyola A. Rodriguez	52	Filipino	Corporate Secretary	2000
Dany Cleo B. Uson	60	Filipino	Treasurer, Chief Finance Officer and Compliance Officer	2020
Lorenzo C. Caranzo	55	Filipino	Operations Division Head	2018
Emmanuel L. Falcunit	43	Filipino	Operations Manager – Fleet Operations	2018
Rudiardo L. Arcellana	58	Filipino	Operations Manager – Salvage, Towage, Lighterage & Special Projects	2016
Jay-R L. Castillo	36	Filipino	QHSE Manager	2016
Edwin G. Amejana	57	Filipino	Commercial Manager	2008
Virginia May P. Bella	48	Filipino	Legal Services Manager	2008
Elionarda L. Refil	53	Filipino	General Services Manager	2009
Adolfo R. Isanan	50	Filipino	Accounting Manager	2020
Effel T. Santillan	45	Filipino	Human Resource Manager	2014
Maria Elizabeth Jean E. Bella	33	Filipino	Procurement Manager	2019
Ryan L. Orila	44	Filipino	ICT Manager	2018
Ronaldo C. Samong	52	Filipino	Business Development Manager for Visayas & Mindanao	2019
Marvin William Trinidad	43	Filipino	Sales & Marketing Manager	2020
Elisalde M. Fantillo	50	Filipino	Engineering & Maintenance Officer-in-Charge	2020
Ma. Edith P. Parro	42	Filipino	Admin Officer-in-Charge	2020
Marlon D. Dabu	40	Filipino	Audit Officer-in-Charge	2021

(b) Term of Office

The term of office of the directors of the Company is one (1) year and they are to serve as such until the election and qualification of their successors. Officers are appointed annually by the Board of Directors at its first meeting following the Annual Stockholders' Meeting, each to hold office until the corresponding meeting of the Board of Directors in the next year or until a successor shall have been appointed or shall have qualified.

Pursuant to Rule 38 of the Securities Regulations Code, and Article II of the Company's Amended By-Laws and 2017 Manual on Corporate Governance, the nomination of all of the members of the Company's Board of Directors, including independent directors, shall be conducted by the Corporate Governance Committee prior to the Annual Stockholders' Meeting in accordance with the following procedure:

(1) All recommendations shall be signed by the nominating stockholders together with the acceptance and conformity of the would-be nominees and shall be submitted to the Corporate Governance Committee and the Corporate Secretary at least forty five (45) days before the date of the actual meeting.

(2) The Corporate Governance Committee shall pre-screen the qualifications and prepare a Final List of all Candidates.

(3) After the nomination, the Corporate Governance Committee shall prepare a Final List of Candidates to be submitted to the Board of Directors, which shall contain all the information regarding the background and the experience of the nominees required to be ascertained and made known under the Securities Regulation Code and relevant rules and regulations.

(4) Said Final List of Candidates shall be disclosed in the reports required by law, rules and regulations to be submitted to the Securities Exchange Commission, Philippine Stock Exchange and to all stockholders.

(5) Only nominees whose names appear on the Final List of Candidates shall be eligible for election as directors. No other nominations shall be entertained after the Final List of Candidates shall have been prepared. No further nomination shall be entertained or allowed on the floor during the actual Annual Stockholders' Meeting.

(c) Business Experience of Directors and Officers during the past five (5) years

Geronimo P. Bella, Jr., 62, Filipino, Chairman of the Board and President. Mr. Bella, Jr. is the Chairman of the Board and President of Harbor Star since 2006. He is also the President and Director of ASTRONERGY Development Gensan Inc (ADGI), ASTRONERGY Development F1 (ADF1), ASTRONERGY Development F2 (ADF2), Harbor Star Energy Corporation (HSEC), Harbor Star Subic Corp (HSSC), Harbor Star East Asia (Myanmar) Ltd (HSEA), and Harbor Star Construction Company (HSCC). Prior to his present position, he worked in Transpacific Towage, Inc. from 1978 to 1988 and Keppel Smit-Transpacific from 1988 to 2000. Mr. Bella, Jr. is currently the President for the Harbor Tugowners Association of the Philippines, Inc. and a director in Harbor Star Subic Corp., and Peak Flag Sdn. Bhd. He obtained his Bachelor of Science degree in Commerce, Major in Business Management from De La Salle University in 1983.

Ricardo Rodrigo P. Bella, 56, Filipino, Director and Vice President. Mr. Bella is the Vice President of Harbor Star. He is the Director and Vice President of ASTRONERGY Development Gensan Inc (ADGI), ASTRONERGY Development F1 (ADF1), ASTRONERGY Development F2 (ADF2), Harbor Star Energy Corporation (HSEC), and Harbor Star Subic Corp (HSSC). He is also the Director of Harbor Star East Asia (Myanmar) Ltd (HSEA) and Harbor Star Construction Company (HSCC). Mr. Bella participated in various training seminars in the fields of corporate management, shipbuilding repair and maintenance, and other related disciplines, locally and abroad. Prior to his role as Vice President of Harbor Star, he served as the Vice President of Transpacific Towage, Inc. from 1983 to 1998. Currently, he is a director in various corporations, namely, Harbor Star Subic Corp., Great Eastern Tug Corporation, and Bellridge Resources, Inc.He pursued undergraduate studies in Business Management at De La Salle University in 1985.

Ceasar Daniel T. Castro, 47, Director. Mr. Castro serves as a Director of Harbor Star Shipping Services, Inc. Currently he is the President of The Real Bank and Acting Deputy Chief Operating Officer of New San Jose Builders Inc. He obtained his Bachelor of Science degree in Commerce Major in Business Administration in University of Santo Tomas in 1996.

Ramon C. Liwag, 66, Filipino, Director. Mr. Liwag serves as a director of Harbor Star Shipping Services, Inc. Currently the President of Asia Security Education and Consultancy Inc., Inc. Member of the Philippine Military Academy Class of 1979 and served as the 23rd Commandant of the Philippine Coast Guard from 2011 to 2012. He was the commander of six (6) Coast Guard Districts and commanded five (5) Coast Guard Field Stations. He served as Chairman in the PCG's Deputy Commandant for Operations from 2008 to 2011 and the Chairman of the PCG's Board of Marine Inquiry (BMI). He was awarded with two (2) Legion of Honor (Degree of Maginoo); Gawad sa Kaunlaran Medal; Coast Guard Outstanding Achievement Medal; Six (6) Distinguished Service Stars Medals, Military Merit Medals; Military Commendation Medals, Insurgency Campaign and Rescue and Relief Medals; and scores of Plaques / Certificates of Merit / Appreciation and Letters of Commendation in various capacities and positions both in government and civic organization.

He graduated Bachelor of Science degree in Military Education from the Philippine Military Academy in 1979. And later on, in 1996, he then took his Master's degree in M.S in Maritime Safety Administration from the World Maritime University in Sweden.

Ryota Nagata, 57, Japanese, Director. Mr. Nagata serves as a Director of Harbor Star Shipping Services Inc (HSSSI), Harbor Star Subic Corp (HSSC), and Harbor Star Energy Corporation (HSEC). Currently, he is the President of Philster Corporation. He started his career as a Sales Representative in Kirin Brewery Company Limited from 1987 to 1990. He was a Sales Representative from 1990 to 1996 in Naigai Corporation. In 2001 to 2008, he became the Vice President of Naigai Corporation and eventually became the President and CEO from 2008 to 2011. He obtained his Bachelor of Arts degree in Politics in Keio University, Japan in 1987.

Gene S. De Guzman, 60, Filipino, Independent Director. Mr. De Guzman serves as an Independent Director of Harbor Star Shipping Services, Inc. Currently, he is the Vice President and heads the Service Assurance support for the whole PLDT domestic enterprise market, including Global Bilateral partners. He obtained his Bachelor of Science degree in Electrical Engineering from the University of Sto. Tomas in 1983, and pre-Masters at Ateneo School of Business Management in 2001.

Gemma V. Sadiua, 56, Filipino, Independent Director. Ms. Sadiua serves as an Independent Director of Harbor Star Shipping Services, Inc and Director of Harbor Star Construction Company (HSCC). Currently, she is the President of Venture Management Systems Inc. She previously led and served in various institutions such as Talent Bridge, Inc., MIASCOR Aviation Products Inc., Pacific Airside Services Inc., ISLA Logistics Corporation, Rapid Airfreight Inc., and Citadel Shipping Services, Inc. She obtained her degree in Business Management in De La Salle University in 1991, and completed post-graduate studies in Business Planning in the Asian Institute of Management in 2005.

Ignatius Loyola A. Rodriguez, 52, Filipino, Corporate Secretary. Mr. Rodriguez is the Corporate Secretary of Harbor Star. He served and continues to serve as legal and business consultant to several businesses engaged in telecommunications, information technology, realty, transport, and logistics, among others. Mr. Rodriguez earned his Juris Doctor from the

Ateneo Law School in 1996 and his Master in Business Administration, with honors, from the Ateneo Graduate School of Business in 2008.

Dany Cleo B. Uson, 60, Filipino, Treasurer, Chief Finance Officer & Compliance Officer. Mr. Uson is concurrently the Business Development for Asia Pacific and the Investor Relation Officer. He is also Director of ASTRONERGY Development Gensan Inc (ADGI) ASTRONERGY Development F1 (ADF1), ASTRONERGY Development F2 (ADF2), and Harbor Star East Asia (Myanmar) Ltd (HSEA). Mr. Uson served as Harbor Star's Budget Committee Head, Funds Planning & Financing and Marketing Manager before becoming the Corporate Planning Manager. He was involved in the Sales and Marketing department of a number of companies prior to his position at Harbor Star, including Servequest, Inc., Capitol Wireless, Inc., PNB Securities, Inc., G.K. Goh Securities Philippines, Fortune Life and General Insurance Co., and RGV Real Estate Center. He also worked as a Stock Trader for AAA Southeast Equities, Inc. from 1990 to 1996. Mr. Uson obtained his Bachelor of Science degree in Marketing Management and Applied Economics from De La Salle University in 1983. He took up units in MS Computational Finance at De La Salle University.

Lorenzo C. Caranzo, 55, Filipino, Operations Division Head. As of 1 October 2015, Captain Caranzo is appointed Operations Division Head of Harbor Star. He is also the Director and Operations Head of Harbor Star Subic Corp (HSSC). Prior to his appointment, he served as the Company's Safety Manager from 2006 to 2015 and served as a Captain and Master for Harbor Star from 2004 until 2006. Prior to his stint with the Company, Capt. Caranzo was the Assistant Harbor Master for Philippine National Oil Company – Petrochemical Development Corp. from 2000 to 2003, and Master Chief Mate for Loadstar International Shipping Company, Inc. from 1990 to 2000. Currently, Captain Caranzo is also a director of Harbor Star Subic Corp. He obtained his Bachelor of Science degree in Marine Transportation from Bataan Heroes University formerly (BHMC) in 1989. He also finished the Business Leadership and Management course from Ateneo De Manila School of Business in 2015..

Emmanuel L. Falcunit, 43, Filipino, Operations Manager - Fleet. Capt. Falcunit is the Operations Manager of Harbor Star. He is a homegrown employee of the company, having started as a Cadet way back 2002. Also in the same year, he went onboard as a Deck Cadet. In 2003, he officially started his career as a seaman having been a Deck Rating onboard tug. Later on, he became tug master from 2006 to 2009. Then, he went back to head office to become a Safety Officer from 2009 to 2013. He again went back onboard via Harbor Star's AHTS vessel, M/V Rho Cas, as a 2nd Mate in 2013 and later on got promoted as Chief Mate. He officially became a full-pledged Captain in 2016. By 2018, he was assigned back to head office to take on the position of Operations Manager. Capt. Falcunit obtained his degree in B.S. Marine Transportation from the Philippine Merchant Marine School. He got his Marine Deck Officer license in 2005 and got his Master Mariner license in 2016.

Rudiardo L. Arcellana, 58, Filipino, Operations Manager – Salvage, Towage, Lighterage & Special Projects. Captain Arcellana is the Operations Manager for Salvage, Towage, Lighterage & Special Projects of Harbor Star. Prior to joining Harbor Star, he served as a Master Mariner in various vessel types, trading internationally. He also worked as a Crewing Manager in Blue Manila, Inc. Captain Arcellana completed his Bachelor of Science in Marine Transportation at Philippine Merchant Marine Academy in 1985. He is a licensed Master Mariner, with diverse professional experience in Seafaring for thirty-two (32) years. He is also a MARINA Licensed instructor for IMO course 6.09 and Assessor for IMO course 3.12. His land-based experience includes crew management, technical training, and dry-docking of manned vessels.

Jay-R L. Castillo, 36, Filipino, Quality, Health, Safety, Environment (OHSE) Manager. Mr. Castillo is the OHSE Manager of Harbor Star. Prior to his appointment, he served as the Company's Safety Officer from 2014 to 2015. Before joining the Company, he served as a Occupational Health and Safety Practitioner in various companies such as Atlantic Gulf and Pacific of Manila Inc., Asian Terminals, Inc., and Toshiba. He acquired his accreditation as Occupational Safety and Health (OSH) Consultant last 2020. Mr. Castillo obtained his Bachelor of Science in Mechatronics Engineering at Batangas State University in 2007.

Edwin G. Amejana, 57, Filipino, Commercial Manager. Mr. Amejana serves as the Commercial Manager of Harbor Star. Prior to his present position in the Company, he was the Operations Officer-in-Charge from 1999 to 2006 and became the Business Development Officer in 2006 to 2008. He obtained his degree in Bachelor of Science major in Marine Transportation in Iloilo Maritime Academy in 1983.

Virginia May P. Bella, 48, Filipino, Legal Services Manager. Ms. Bella is the Legal Services Manager of Harbor Star. She is also a director and Corporate Secretary of ASTRONERGY Development Gensan Inc (ADGI), ASTRONERGY Development F1 (ADF1), and ASTRONERGY Development F2 (ADF2). Ms. Bella is currently the director of Mearnz Green Technology Proponents, Inc. and Corporate Secretary of Belleridge Resources Inc. Prior to her present positions, Ms. Bella served as Managing Director of Earthlink Resources Inc, Managing Director of Luscent Oil Services, and Legal Associate at Rondain & Mendiola Law Offices. Ms. Bella also served as President of Bellport Shipping Corporation. She obtained her degree of Bachelor of Science Major in Biology in De La Salle University in 1993 and pursued her degree in Bachelor of Laws from San Beda College in 2000.

Elionarda L. Refil, 53, Filipino, General Services Department Manager. Ms. Refil is the General Services Department Manager of Harbor Star. She is also a Director of Harbor Star Subic Corp (HSSC). Prior to her present position in the Company, she was the HR Manager and Executive Secretary of the Company from 2006 to 2009. She obtained her Bachelor of Arts Major in Journalism in 1988 at Manuel L. Quezon University. She finished Ateneo's Leadership and Management Development Program ("LMDP") in 2010 and completed her Marters Degree in Development Communication from the University of the Philippines Open University (UPOU)m Los Banos, Laguna in 2016

Adolfo R. Isanan, 50, Accounting Manager. Mr. Isanan served as the Accounting Manager & Chief Accountant of Harbor Star from 2001 until 2008 and Comptroller from 2009 until October 2011. Mr. Isanan rejoined Harbor Star in June 2020 assuming the post of Accounting Manager. Prior to rejoining, he was employed in various companies of different industries such as manufacturing, fishing, ship building and construction which he held positions of Accountant and CFO. Among the companies he previously employed were Soonly Food Products, Inc. North Star Shipping & Marine Services, Inc, South Star Towage, Inc., RBL Fishing Corporation, RBL Shipyard and Zobel Oil Corporation. He is formerly an Accounting Professor & CPA Reviewer at the University of Manila and National College of Business & Arts with combined academic experience of fifteen (15) years. Mr. Isanan is a Certified Public Accountant by Profession who passed the CPA Licensure Examinations in May 1994. He obtained his Bachelor of Science in Business Administration Major in Accounting at the National College of Business & Arts – Manila in 1992.

Effel T. Santillan, 45, Filipino, Human Resource Manager. Ms. Santillan is the Human Resource Manager of Harbor Star. Ms. Santillan has been an HR practitioner for the past twenty-two (22) years. Prior to joining Harbor Star, she worked as an Employee

Administration Manager and later headed the crew retention team of Aboitiz Jebsen Company Inc. as Crew and Family Welfare and Protection and Indemnity Manager. Aside from her 5-year experience in the shipping industry, she also worked in various industries like BPO, IT, and retail. Ms. Santillan obtained her Bachelor of Science degree in Psychology from Pamantasan ng Lungsod ng Maynila in 1998.

Maria Elizabeth Jean E. Bella, 33, Filipino, Procurement Manager. Ms. Bella is the Procurement Manager of Harbor Star. Prior to her appointment, she was the Company's Management Trainee then eventually served as the Special Assistant to the Operations Division Head from 2013 to 2015 then served as the Procurement Officer-in-Charge from 2016 to 2018. Before joining Harbor Star, Ms. Bella worked for Topcon Positioning Systems Inc. as an International Sales Assistant. She completed her degree in International Business at St. Mary's College of California in Moraga, California in 2012. She also received a certification for taking courses in Naval Architecture from Lloyd's Maritime Academy in 2013.

Ryan L. Orila, 44, Filipino and the ICT Manager of Harbor Star. He is a dynamic IT professional with over 20 years of experience in administering and maintaining various IT systems, applications, and networks. He has solid experience in IT management particularly in data center infrastructure, analytics, security, endpoint solutions, and low-code development. Prior to joining Harbor Star, he has been part of multinational companies like Philippine AXA Life Insurance Corporation, TeleTech, and AboJeb Company Inc. where he was able to hone his technical skills as an IT practitioner. He completed his degree in Computer Science from AMA Computer College in 1999.

Ronaldo Antonio C. Samong, 52, Filipino, Business Development Manager for Visayas & Mindanao. Mr. Samong served as Davao Branch Head from 2010-2019 before becoming the Business Development Manager for Visayas & Mindanao of Harbor Star. He was involved in the Sales, Marketing, and Operation department of several companies prior to his position at Harbor Star, including Essen Pharma Inc, G&G Logistic Inc, Crown Pacific Logistics, and Sumifru (Phils.) Corporation. Mr. Samong obtained his Bachelor of Arts Major in Political Science from Western Mindanao State University in 1991.

Marvin William F. Trinidad, 43, Filipino, Sales & Marketing Manager. Mr. Trinidad served as a Sales & Marketing Officer from 2011-2019 and Sales & Marketing Officer-in-Charge from 2019-2020 before becoming the Sales & Marketing Manager. Prior to joining Harbor Star, He was involved in the Sales & Marketing Department of a number of companies, namely, Mariveles Grain Corporation, Asian Terminals Incorporated, BCI Asia, and PCIB Cignal Life Insurance Corporation and Security Bank Corporation. Mr. Trinidad obtained his degree in B.S.C. Major in Marketing Management from San Beda University (formerly San Beda Collage) in 1999.

Elisalde M. Fantillo, 50, Filipino, Engineering & Maintenance Technical Manager. Mr Fantillo served as a Technical Auditor and Engineering & Maintenance Officer-in-Charge for more than one year before becoming the Engineering & Maintenance Technical Manager. Prior to His present position in the Company, He was the Technical Superintendent for GoldenStar Cargo Trade Shipping Corporation from 2018 until 2019, and Maintenance Supervisor for Loadstar Shipping Co. Inc. from 1996 until 2018. Mr. Fantillo obtained his degree in Bachelor of Science in Mechanical Engineering in Technological Institute of the Philippines in 1995 and Bachelor of Science in Marine Engineering in the same University in

1997. He also received a Certificate of Participation in Ship Management Course ISM Internal Audits by ClassNK Academy.

Ma. Edith P. Parro, 42, Filipino, Diving, Marine Maintenance and Construction Admin Officer-in-Charge. Honed by time and experience, Ms. Parro served as an HR Supervisor from 2017 until 2019 before becoming the Diving, Marine Maintenance and Construction Admin Officer-in-Charge. Prior to joining Harbor Star, she was engaged and exposed in different facet of Human Resource Management, Training Development and Administrative work of different industries such as Business Process Outsourcing (BPO), Manufacturing and Construction. Companies she has worked with are San R Mining & Construction Corp, Assurant BPO, Infinit Outsourcing Inc and 24/7. Ms. Parro obtained her degree in Bachelor of Science in Psychology in Ateneo de Naga University in 1999.

Marlon D. Dabu, 40, Filipino, Audit Officer-in-Charge. Mr. Dabu served as an Internal Auditor from 2009-2016 and Senior Internal Auditor from 2016-2021 before becoming the Audit Officer-in-Charge. Prior to joining Harbor Star, he was the Auditor of Tri SM Professional Services before becoming the Internal Audit Supervisor of Executive Optical Inc. Mr. Dabu obtained his Bachelor in Science in Accountancy from Philippine School of Business Administration in 2002.

Nominees for Election/Re-Election

The Corporate Governance Committee has screened the nominees and prepared the Final List of Candidates for election to the Board of Directors at the Annual Stockholders' Meeting on 13 July 2022. The nominees have been found to possess all of the qualifications and none of the disqualifications for election as director or as independent director. In approving the nominations for independent directors, the Nominations Committee considered the guidelines on the nomination of independent directors under SRC Rule 38.

The Corporate Governance Committee is composed of Mr. Gene S. De Guzman as Chairman with Mr. Ryota Nagata and Ms. Gemma V. Sadiua as members.

The following are the Final List of Candidates for directors as determined by the Company's Corporate Governance Committee:

Candidate for Nomination as Director	Nominating Stockholder	Relationship
Geronimo P. Bella, Jr.	Ricardo Rodrigo P. Bella	Siblings
Ricardo Rodrigo P. Bella	Geronimo P. Bella, Jr.	Siblings
Cesar Daniel T. Castro	Geronimo P. Bella, Jr.	None
Ryota Nagata	Geronimo P. Bella, Jr.	None
Ramon C. Liwag	Geronimo P. Bella, Jr.	None
Gene S. De Guzman (Independent Director)	Geronimo P. Bella, Jr.	None
Gemma V. Sadiua (Independent Director)	Geronimo P. Bella, Jr.	None

Mr. Gene S. De Guzman and Ms. Gemma V. Sadiua are the nominees for independent directors for the ensuing year.

In compliance with SEC Memorandum Circular No. 5, Series of 2017, Mr. Gene S. De Guzman and Ms. Gemma V. Sadiua hereby submit their respective Certification(s) as independent directors, which are attached hereto as Annexes "A" and "B", respectively.

(d) Other Directorships held in reporting companies naming each company

All of the directors and officers of the Company are not directors in other reporting companies.

(e) 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 certain key personnel.

(f) Family Relationships

Except for the Chairman and President, Mr. Geronimo P. Bella, Jr., Director and Vice-President, Mr. Ricardo Rodrigo P. Bella, and the Legal Services Manager, Ms. Virginia May P. Bella, of the Company, who are siblings, and Procurement Officer-in-Charge, Ms. Maria Elizabeth Jean E. Bella, who is the offspring of Mr. Geronimo P. Bella, Jr., no family relationships up to the fourth civil degree either by consanguinity or affinity exist among the directors, executive officers or persons nominated or chosen by the Company to become directors or executive officers.

(g) 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 up to the present date, involved or have been involved in: (a) any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer; (b) any conviction by final judgment, in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses; (c) being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities; and (d) being found by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign Exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended, or vacated.

The Company has no pending legal proceedings which would materially affect its financial auditing or operational capability and to which it or any of its subsidiaries or affiliates is a party or of which any of their property is the subject.

(h) Certain Relationships and Related Transactions

The Company's policy with respect to related-party transactions is to ensure that these transactions are entered into on an arms-length basis and on terms which are comparable to those available from unrelated third parties.

Except for the material related party transactions described in note 20 of the Company's interim financial statements as of 31 March 2021, there has been no material transaction during the last two years, nor is there any material transaction currently proposed, to which the Company was or is to be a party, in which any director or executive officer, any nominee for election as director, stockholder of more than ten percent (10.0%) of the Company's voting shares, and any member of the immediate family (including spouse, parents, children, siblings, and in-laws) of any such director or officer or stockholder of more than ten percent (10.0%) of the Company's voting shares had or is to have a direct or indirect material interest.

The Company has no transaction for the covered period with parties that fall outside the definition of "related parties" under PAS 24, Related Party Disclosures, but with whom the Company or its related parties has a relationship that enables the parties to negotiate terms of material transactions that may not be available from other, more clearly independent parties on an arm's length basis.

(i) Disagreement with a Director

No director has resigned or declined to stand for re-election to the Board of Directors since the date of the last annual stockholders' meeting because of a disagreement with the Company on any matter relating to the Company's operations, policies or practices.

Item 6. Compensation of Directors and Executive Officers

(a) Executive Compensation

The following summarizes the executive compensation received by the top five (5) most highly compensated officers of the Company for 2019, 2020, 2021, and 2022. It also summarizes the aggregate compensation received by all the officers and directors, unnamed.

Name & Position	Year	Total (PHP)	Salary (PHP)	Bonus (PHP)	Other Annual Compensation (PHP)
Geronimo P. Bella Chairman & President	2019	10,354,581	9,364,285	801,946	188,350
Ricardo Rodrigo P. Bella Director & Vice President	2019	6,247,807	5,634,657	498,730	114,420
Ignatius Loyola A. Rodriguez Corporate Secretary, Chief of Staff and CIO	2019	3,230,910	2,999,280	175,500	56,130
Dany Cleo B. Uson Chief Finance Office	2019	2,818,160	2,614,800	158,800	44,560
Lorenzo C. Caranzo Operations Division Head	2019	4,012,785	3,720,000	240,000	52,785
Total		26,664,243	24,333,022	1,874,976	456,245

Name & Position	Year	Total (PHP)	Salary (PHP)	Bonus (PHP)	Other Annual Compensation (PHP)
Geronimo P. Bella Chairman & President	2020	10,354,581	9,364,285	801,946	188,350
Ricardo Rodrigo P. Bella Director & Vice President	2020	6,247,807	5,634,657	498,730	114,420
Ignatius Loyola A. Rodriguez Corporate Secretary, Chief of Staff and CIO	2020	3,230,910	2,999,280	175,500	56,130
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Geronimo P. Bella Chairman & President	2021	10,354,581	9,364,285	801,946	188,350
Ricardo Rodrigo P. Bella Director & Vice President	2021	6,247,807	5,634,657	498,730	114,420
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Dany Cleo B. Uson Chief Finance Office	2021	2,818,160	2,614,800	158,800	44,560
Lorenzo C. Caranzo Operations Division Head	2021	4,012,785	3,720,000	240,000	52,785
Total		26,664,243	24,333,022	1,874,976	456,245

Name & Position	Year	Total (PHP)	Salary (PHP)	Bonus (PHP)	Other Annual Compensation (PHP)
Geronimo P. Bella Chairman & President	2022 (est.)	10,354,581	9,364,285	801,946	188,350
Ricardo Rodrigo P. Bella Director & Vice President	2022 (est.)	6,247,807	5,634,657	498,730	114,420
Dany Cleo B. Uson Chief Finance Officer	2022 (est.)	2,818,160	2,614,800	158,800	44,560
Lorenzo C. Caranzo Operations Division Head	2022 (est.)	4,012,785	3,720,000	240,000	52,785
Total		26,664,243	24,333,022	1,874,976	456,245

Name & Position	Year	Total (PHP)	Salary (PHP)	Bonus (PHP)	Other Annual Compensation (PHP)
Aggregate compensation paid to all officers and directors as a group unnamed	2019	54,486,384	49,816,124	3,736,208	934,052
	2020	54,486,384	49,816,124	3,736,208	934,052
	2021	54,486,384	49,816,124	3,736,208	934,052
	2022 (est.)	54,486,384	49,816,124	3,736,208	934,052

(b) Compensation of Directors and Chairman

Each director receives a reasonable per diem allowance for their attendance at each meeting of the Board.

Under the By-Laws of the Company, by resolution of the Board, each director shall receive a reasonable per diem allowance for their attendance at each meeting of the Board. As compensation, the Board shall receive and allocate an amount of not more than ten percent (10.0%) of the net income before income tax of the Company during the preceding year. Such compensation shall be determined and apportioned among the directors in such manner as the Board may deem proper, subject to the approval of stockholders representing at least a majority of the outstanding capital stock at a regular or special meeting of the stockholders.

The Directors total per diem allowance for 2019, 2020, 2021, and 2022 (est.) is presented in the following table:

Director's Per Diem Allowance

Year	Amount
2019	PHP1,040,000
2020	PHP1,330,927
2021	PHP940,000
2022 (est.)	PHP940,000

Except for Geronimo P. Bella, Ricardo Rodrigo P. Bella and Ignatius Loyola A. Rodriguez, Corporate Secretary who are officers of the Company, the directors only receive reasonable per diem allowance for their attendance at meetings of the Board.

(c) Employment Contracts and Termination of Employment and Change-in-control Arrangement

There are no special arrangements as to the employment contract of any executive officer such that said officer will be compensated upon his resignation, retirement or other termination from the Company or its subsidiaries, or as may result from a change-in-control except as provided by law.

(d) Warrants and Options Outstanding

There are no outstanding warrants and options outstanding held by the Company's President, the named executive officers and all officers and directors as a group.

Item 7. Independent Public Accountants

Isla Lipana & Co., a member firm of PwC network, ("Isla Lipana") has been the Company's independent auditor since 2014 up to the present. Isla Lipana been selected by the Board of Directors as the Company's independent auditor for the calendar year ending 31 December 2021. A representative of Isla Lipana is expected to be present at the Annual Stockholders' Meeting and will have an opportunity to make a statement if he or she so desires. The representative will also be available to respond to appropriate questions from the stockholders.

Audit and Audit Related Fees

The Company paid its external auditors the following fees (in thousands) for the last three (3) years for professional services rendered:

In PHP thousands	**2021**	**2020**	**2019**
Audit Fees	1,874	1,755	2,050
	1,874	**1,755**	**2,050**

The Company engaged the services of SGV & Co. up to 2013 and Isla Lipana & Co. starting 2014.

The Audit Committee makes recommendations to the Board concerning the external auditors and pre-approves audit plans, scope and frequency before the conduct of the external audit. The Audit Committee reviews the nature of the non-audit related services rendered by the external auditors and the appropriate fees paid for these services.

The re-appointment of Isla Lipana and Co. as the Company's external auditors was approved by the stockholders in a regular meeting held on 08 July 2021.

Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

There were no changes or disagreements with the Company's external auditors, Isla Lipana, on accounting and financial disclosures.

The Board of Directors of the Company recommends a vote for ratification of the appointment of Isla Lipana as the independent auditor for the current year.

Mr. Pocholo C. Domondon of Isla Lipana is the partner in charge of the Company's 2021 audit. The handling audit partner is rotated every five (5) years and may only be re-engaged by the Company after the two (2) years cooling-off period in compliance with SEC Memorandum Circular No. 8, Series of 2003 and the provisions of SRC Rule 68(3)(b)(iv)(ix).

The Audit Committee of the Company reviewed, evaluated and approved the policies and procedures for the professional services rendered by Isla Lipana. The Company's Audit Committee is composed of Ms. Gemma V. Sadiua as Chairperson and Messrs. Ceasar Daniel T. Castro and Ramon C. Liwag, as members.

Item 8. Compensation Plans

There is no action to be taken with respect to any plan pursuant to which cash or non-cash compensation may be paid or distributed.

The Company does not have any stock option, warrants or rights plan or any other type of compensation plan.

C. ISSUANCES AND EXCHANGE OF SECURITIES

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

No action will be taken with respect to the authorization or issuance of any securities otherwise for exchange for outstanding securities of the Company.

Item 10. Modification of Exchange of Securities

No action will be taken with respect to the modification of any class of securities of the Company or the issuance or authorization for issuance of one class of securities of the Company in exchange for outstanding securities of another class.

Item 11. Financial and Other Information

None, inasmuch as no action is to be taken with respect to any matter specified in Items 9 or 10 above.

Item 12. Mergers, Consolidation, Acquisition and Similar Matters

No action will be taken with respect to any of the following: (a) the merger or consolidation of the Company into or with any other person or of any other person into or with the Company; (b) the acquisition by the Company or any of its security holders of securities of another person; (c) the acquisition by the Company of any other ongoing business or of the assets thereof; (d) the sale or other transfer of all or substantially all of the assets of the Company; or (e) the liquidation or dissolution of the Company.

Item 13. Acquisition or Disposition of Property

No action will be taken with respect to the acquisition or disposition by the Company of any property.

Item 14. Restatement of Accounts

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

D. OTHER MATTERS

Item 15. Action with Respect to Reports

The Board of Directors of the Company recommends a vote for confirmation, ratification and approval of the following:

(1) Minutes of the Annual Stockholders' Meeting held on 08 July 2021

The Minutes of the Annual Stockholders' Meeting held on 08 July 2021 (the "ASM") contain the following items:

(i) Call to Order
(ii) Certificate of Notice and Quorum
(iii) Approval of the Minutes of the Annual Stockholders' Meeting held on 23 September 2020
(iv) Management Report
(v) Approval of Audited Financial Statements as of 31 December 2020
(vi) Ratification of all legal acts, resolutions and proceedings of the Board of Directors and of Management, done in ordinary course of business, since the 23 September 2020 Annual Stockholders' Meeting up to 26 May 2021
(vii) Election of Directors
(viii) Amendment of the Second Article of the Amended Articles of Incorporation to include in its Primary Purposes the business of conducting ship repair, building and breaking activities
(ix) Appointment of External Auditor
(x) Other Matters
(xi) Adjournment

The Minutes of the ASM also contains the following information:

a. List of directors and officers who attended the ASM;
b. A description of the voting and vote tabulation procedures used during the ASM;
c. Matters discussed and resolutions adopted;
d. A record of the voting results for each agenda item; and
e. A description of the opportunity given to the stockholders to ask questions.

At the last Annual Stockholders' Meeting held on 08 July 2021 (the "ASM"), the President and CEO reported the results of operations of the Company through an audio-visual presentation.

Voting and vote tabulation procedures used in the previous meeting. For the election of Directors, each stockholder was entitled to one (1) vote per share multiplied by the number of board seats provided in the Articles of Incorporation (i.e., eleven (11)). Cumulative voting was allowed for election of members of the Board of Directors. Each stockholder was allowed to vote the number of shares of stock outstanding in his or her own name as of the record date of the meeting for as many persons as there are directors to be elected or he may cumulate said shares and give one (1) candidate as many votes as the number of Directors to be elected multiplied by the number of his shall see fit; provided that the total number of votes cast by him or her shall not exceed the number of shares owned by him or her as shown in the books of the Company multiplied by the whole number of Directors to be elected and provided, however, that no delinquent stock shall be voted.

Abstentions were treated to have the same effect as negative votes. Broker non-votes and shares as to which proxy authority has been withheld with respect to any matter are not deemed to be present or represented for purposes of determining whether stockholder approval of that matter has been obtained.

Items that required the vote of stockholders were presented for approval of the stockholders at the previous meeting. Voting was through electronic ballot, counted thereafter by the Corporate Secretary in the presence of Isla Lipana to validate the counting. The results were tallied in a book kept exclusively for such purpose, and signed by the Corporate Secretary and the External Auditor.

The following matters likewise presented and approved by the stockholders during the said meeting include, among others:

(1) Approval of Covid-19 Pandemic Response Plan;
(2) Approval of Lemery Batangas Property Development Plan;
(3) Approval of the revival of the Cavite Gateway Feeder Project Route;
(4) Execution of contracts in the ordinary course of business;
(5) Designation of bank signatories;
(6) Availment and/or renew credit facility and/or other loans from banks and/or financial institutions;
(7) Application for regulatory permits and licenses; and
(8) Appointment of officers and members of committees.

(2) Management Report

(3) Audited Financial Statements for the year ending 31 December 2021

Item 16. Matters Not Required to be Submitted

The Board of Directors and Management have the power to act as agents of the Company based on statute, charter, by-laws or in delegation of authority to an officer from the acts of the Board, formally expressed or implied from a habit or custom of doing business. In this regard, where an officer has been entrusted with the general management and control of the Company's business, that officer is considered to possess an implied authority to enter into any contract or do any other act which is necessary or appropriate for the conduct of the ordinary business of the Company.

The Board of Directors recommends a vote for approval, confirmation and ratification of all acts and resolutions of the Board of Directors and of Management since the Annual Stockholders' Meeting on 08 July 2021 up to 13 July 2022. Said acts and resolutions of the Board of Directors and of Management since the Annual Stockholders' Meeting on 08 July 2021 up to 13 July 2022 include, among others:

(1) Execution of contracts in the ordinary course of business;
(2) Designation of bank signatories;
(3) Availment and/or renew credit facility and/or other loans from banks and/or financial institutions;
(4) Application for regulatory permits and licenses; and
(5) Appointment of officers and members of committees.

Once the ratification has been given, all acts or transactions entered into by the Board of Directors and of Management since the Annual Stockholders' Meeting on 08 July 2021 up to 13 July 2022 become finally and absolutely binding and neither the Company nor individual stockholders nor strangers can afterwards sue to set them aside or otherwise attack their validity.

matter are not deemed to be present or represented for purposes of determining whether stockholder approval of that matter has been obtained.

Items that required the vote of stockholders were presented for approval of the stockholders at the previous meeting. Voting was through electronic ballot, counted thereafter by the Corporate Secretary in the presence of Isla Lipana to validate the counting. The results were tallied in a book kept exclusively for such purpose, and signed by the Corporate Secretary and the External Auditor.

The stockholders likewise approved the recommendation of the Board of Directors for a vote of approval, confirmation and ratification of all acts and resolutions of the Board of Directors and of Management since the Annual Stockholders' Meeting on 23 September 2020 up to 08 July 2021. Said acts and resolutions of the Board of Directors and of Management since the Annual Stockholders' Meeting on 23 September 2020 up to 08 July 2021 include, among others, among others:

(1) Approval of Covid-19 Pandemic Response Plan;
(2) Approval of Lemery Batangas Property Development Plan;
(3) Approval of the revival of the Cavite Gateway Feeder Project Route;
(4) Execution of contracts in the ordinary course of business;
(5) Designation of bank signatories;
(6) Availment and/or renew credit facility and/or other loans from banks and/or financial institutions;
(7) Application for regulatory permits and licenses; and
(8) Appointment of officers and members of committees.

(2) Management Report

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Item 16. Matters Not Required to be Submitted

The Board of Directors and Management have the power to act as agents of the Company based on statute, charter, by-laws or in delegation of authority to an officer from the acts of the Board, formally expressed or implied from a habit or custom of doing business. In this regard, where an officer has been entrusted with the general management and control of the Company's business, that officer is considered to possess an implied authority to enter into any contract or do any other act which is necessary or appropriate for the conduct of the ordinary business of the Company.

The Board of Directors recommends a vote for approval, confirmation and ratification of all acts and resolutions of the Board of Directors and of Management since the Annual Stockholders' Meeting on 08 July 2021 up to 13 July 2022. Said acts and resolutions of the Board of Directors and of Management since the Annual Stockholders' Meeting on 08 July 2021 up to 13 July 2022 include, among others:

(1) Execution of contracts in the ordinary course of business;
(2) Designation of bank signatories;
(3) Availment and/or renew credit facility and/or other loans from banks and/or financial institutions;
(4) Application for regulatory permits and licenses; and
(5) Appointment of officers and members of committees.

Once the ratification has been given, all acts or transactions entered into by the Board of Directors and of Management since the Annual Stockholders' Meeting on 08 July 2021 up to 13 July 2022 become finally and absolutely binding and neither the Company nor individual stockholders nor strangers can afterwards sue to set them aside or otherwise attack their validity.

Item 17. Amendment of Charter, By-laws or Other Documents

There is no action to be taken at the Annual Stockholder's Meeting with respect to any matter not specifically referred to above.

Item 18. Other Proposed Action

There is no action to be taken at the Annual Stockholders' Meeting with respect to any matter not specifically referred to above.

Item 19. Voting Procedures

- Each share of the Common Stock outstanding on the record date will be entitled to one (1) vote on all matters. Voting shall be done by ballots or by proxy.

- For all matters subject to a vote of the stockholders, the Corporate Secretary and the stock transfer agent shall tabulate all votes received which shall be validated by the independent auditor. The Corporate Secretary shall report the results on the voting of each matter during the meeting.

- For the election of directors, cumulative voting shall be followed.

- The following shall require the affirmative vote of stockholders holding at least a majority of the Company's issued and outstanding capital stock present or represented and entitled to vote at the Annual Stockholders' Meeting:

  (1) the approval of the Minutes of the Annual Stockholders' Meeting held on 08 July 2021;

  (2) the approval of the Management Report;

  (3) the approval of the Audited Financial Statements for the year ending 31 December 2021;

  (4) all acts, resolutions, and proceedings of the Board of Directors and Management since the Annual Stockholders' Meeting held on 08 July 2021 to 13 July 2022;

  (5) the election of directors; and

  (6) the appointment of the Company's external auditor for the current year.

Compliance with Section 49 of the Revised Corporation Code

(a) A description of the voting and the vote tabulation procedures used in the previous meeting

See discussion in Item 15.

(b) *A description of the opportunity given to stockholders or members to ask questions and record of the questions asked and answers given*

See discussion in Item 15.

(c) *The matters discussed and resolutions reached*

See discussion in Item 15.

(d) *A record of the voting results for each agenda item*

See discussion in Item 15.

(e) *A list of the director or trustees, officers and stockholders or members who attended the meeting*

See discussion in Item 15.

(f) *Material information on the current stockholders, and their voting rights*

See discussion in Item 4.

(g) *Appraisals and performance reports for the board and the criteria and procedure for assessment*

See discussion under Corporate Governance.

(h) *Director disclosures on self-dealings and related party transactions*

In 2020, none of the Company's directors have entered into self-dealing and related party transactions involving the Company.

(i) *A director compensation report prepared in accordance with the Revised Corporation Code and the rules of the Securities and Exchange Commission*

See discussion in Item 6 (b).

Corporate Governance

(a) *Evaluation system established by the Company to measure or determine the level of compliance of the Board of Directors and top-level management with its Manual of Corporate Governance*

(i) The Company completed and submitted its Integrated Annual Corporate Governance Report (I-ACGR) to the Philippine Stock Exchange on 30 May 2022. Said I-ACGR is considered by the Company as a tool to evaluate the level of compliance of the Board of Directors and top level management with its Manual on Corporate Governance (the "Manual").

(ii) The Compliance Officer is responsible for determining violation/s and shall recommend to the Chairman of the Board the imposable penalty for such violation, for further review and approval of the Board.

(iii) The Company has a Corporate Governance Committee tasked to undertake an annual performance assessment of the Board, its committees and the individual directors, through a Performance Assessment Guideline and Scorecard.

(iv) The Company ensures that it has at least two (2) independent directors, or such number of independent directors that constitutes twenty percent (20%) of the members of the Board, whichever is higher, but in no case less than two (2). The Company, through its Corporate Governance Committee, likewise makes certain that its independent directors are independent from management and free from any business or other relationship which could, or could reasonably be perceived to materially interfere with the exercise of independent judgment in carrying out their respective responsibilities as director.

(v) The Company, through its Corporate Governance Committee, ensures that all the nominees to the Board possess all the qualifications and none of the disqualifications provided for in the Company's By-Laws and Manual, the Revised Corporation Code, Securities Regulation Code and other relevant laws, rules and regulations.

(vi) The Company also has an Audit Committee, which is tasked to review the Audited Financial Statements of the Company. The Chairman of the Audit Committee is an independent director, and each member thereof has at least an adequate understanding or competence of most of the Company's financial management systems and environment.

(b) Measures being undertaken by the Company to fully comply with the adopted leading practices on good corporate governance

(i) The Company will elect two (2) Independent Directors.

The SEC Code of Corporate Governance defines an independent director as a person other than an officer or employee of a corporation, its parents or subsidiaries, or any other individual who has a relationship with the corporation which would interfere with the exercise of independent judgment in fulfilling the duties of a director.

The By-Laws of the Company provide that an independent director shall include, among others, any person who: (a) is not a director or officer of the corporation or of its related companies or any of its substantial shareholders, except when an independent director of any of the foregoing; (b) does not own more than two percent (2%) of the shares of the Company and/or its related companies or any of its substantial shareholders; (c) is not related to any director, officer or substantial shareholder of the corporation, any of its related companies or any of its substantial shareholders, provided that for this purpose, relatives include a spouse, parent, child, brother, sister and the spouse of such child, brother or sister; (d) is not acting as a nominee or representative of any director or substantial shareholder of the Company and/or any of its related companies and/or any of its substantial shareholders, pursuant to a Deed of Trust or under any contract or arrangement; (e) has not been employed in any executive capacity by the Company, any of its related companies and/or by any of its substantial shareholders within the last five

UNDERTAKING TO PROVIDE INTERIM AND ANNUAL REPORT

UPON THE WRITTEN REQUEST OF THE STOCKHOLDER, THE COMPANY UNDERTAKES TO FURNISH SECURITY HOLDERS WITHOUT CHARGE, AND UPON THEIR WRITTEN REQUEST, COPIES OF THE COMPANY'S INTERIM FINANCIAL STATEMENTS (SEC FORM 17-Q) AS OF 31 MARCH 2021 AND ITS CORRESPONDING MANAGEMENT'S DISCUSSION AND ANALYSIS AND/OR ANNUAL REPORT (SEC FORM 17-A). COPIES OF OTHER EXHIBITS MAY BE PROVIDED UPON WRITTEN REQUEST AND UPON THE PAYMENT OF NOMINAL CHARGES TO DEFRAY ADMINISTRATIVE COSTS AND EXPENSES SUBJECT TO CONDITIONS AS THE BOARD OF DIRECTORS MAY PROMULGATE.

SUCH WRITTEN REQUEST FOR A COPY OF SEC FORM 17-Q AS OF 31 MARCH 2021 AND ITS CORRESPONDING MANAGEMENT'S DISCUSSION AND ANALYSIS AND/OR SEC FROM 17-A SHALL BE DIRECTED TO: MR. DANY CLEO B. USON, CORPORATE INFORMATION OFFICER, 2224 A. BONIFACIO ST., CORNER PRES. SERGIO OSMEÑA HIGHWAY, BRGY. BANGKAL, MAKATI CITY, 1233, PHILIPPINES.

ALL STOCKHOLDERS OF RECORD AND THOSE ACTING AS FIDUCIARIES, NOMINEES, TRUSTEES OR SIMILAR CAPACITIES IN BEHALF OF BENEFICIAL OWNERS WHO ARE NOT OF RECORD, MAY ALSO REQUEST IN WRITING TO THE PERSON AND AT THE ADDRESS PROVIDED ABOVE, AS MANY COPIES OF THIS INFORMATION STATEMENT, SEC FORM 17-Q AS OF 31 MARCH 2021 AND ITS CORRESPONDING MANAGEMENT'S DISCUSSION AND ANALYSIS AND/OR SEC FORM 17-A FOR DISTRIBUTION TO SUCH BENEFICIAL OWNERS, AND UPON RECEIPT OF SUCH WRITTEN REQUEST, THE COMPANY UNDERTAKES TO SUPPLY THE REQUESTED MATERIAL IN A TIMELY MANNER.

PART II

INFORMATION REQUIRED IN A PROXY FORM

The Company is not soliciting proxies and the stockholders are not required to send proxies.

PART III

SIGNATURE PAGE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Makati on 21st day of June 2022.

HARBOR STAR SHIPPING SERVICES, INC.
By:

IGNATIUS LOYOLA A. RODRIGUEZ
Corporate Secretary

HARBOR STAR
SHIPPING SERVICES, INC.

NOTICE OF ANNUAL STOCKHOLDERS' MEETING

Please be informed that the Annual Meeting of the Stockholders of **HARBOR STAR SHIPPING SERVICES, INC.** ("HSSSI") will be held and conducted virtually via the MS Teams online meeting platform on Wednesday, 13 July 2022, 9:30 a.m. for the following purposes:

1. Call to Order
2. Certification of Notice and Quorum
3. Approval of the Minutes of the Annual Stockholders' Meeting held on 08 July 2021
4. Management Report
5. Approval of Audited Consolidated Financial Statements of HSSSI and its subsidiaries as of 31 December 2021
6. Ratification of all acts, resolutions and proceedings of the Board of Directors and of Management, done in ordinary course of business since the 08 July 2021 Annual Stockholders' Meeting up to 13 July 2022
7. Election of Directors
8. Appointment of External Auditor
9. Other Matters
10. Adjournment

The record date for stockholders entitled to notice of, participate and vote at the Annual Stockholders' Meeting is set on 09 June 2022 ("Stockholders of Record").

Considering the current circumstances, Stockholders of Record may only attend/participate via proxy, remote communication or vote in absentia, subject to validation procedures.[1] Only validated stockholders will be provided access to the MS Teams meeting platform and can cast their votes in absentia on or before 04 July 2022 via the Corporation's secure online voting facility.

Stockholders who wish to participate in the meeting via the MS Teams online meeting platform and to vote in absentia should notify the Office of the Corporate Secretary through a Letter of Intent to be sent via e-mail to asm-2022@harborstar.com.ph or fill up the registration form at www.harborstar.com.ph/asm2022registrationform on or before 28 June 2022.

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[1] For the detailed registration and voting procedures, please visit http://www.harborstar.com.ph/ and refer to the "Guidelines for Participation via Remote Communication and Voting in Absentia and through Proxy".

The Corporation is not soliciting for proxies. Stockholders who are unable to join the meeting but wish to vote on items in the agenda by proxy must submit their duly accomplished proxy forms via email to asm-2022@harborstar.com.ph on or before 28 June 2022.

Stockholders may send their queries and comments to the Management Report and other items in the Agenda to asm-2022@harborstar.com.ph on or before 06 July 2022.

The Definitive Information Statement containing the attendance, voting and election procedures, along with the Notice, Agenda, Proxy, Management Report, SEC Form 17-A, SEC Form 17-Q and other information related to the Annual Stockholders' Meeting can be accessed at http://www.harborstar.com.ph/investors/pse_disclosures.

Very truly yours,

IGNATIUS A. RODRIGUEZ
Corporate Secretary

EXPLANATION AND RATIONAL OF EACH ITEM IN THE AGENDA

1. Call to order

   The Chairman of the Board (the "Board"), Mr. Geronimo P. Bella, Jr., will call the meeting to order.

2. Certification of notice and quorum

   The Corporate Secretary will certify that notice requirements for the 2022 Annual Stockholders' Meeting have been complied with in accordance with the By-Laws, Revised Corporation Code and issuances of the SEC.

   The Corporate Secretary will further certify the presence of a quorum. The stockholders representing a majority of the outstanding voting capital stock of the Corporation, present in person or by proxy, shall constitute a quorum for the transaction of business.

3. Approval of the Minutes of the Annual Stockholders Meeting held on 08 July 2021

   The minutes are available at the Corporation website, http://www.harborstar.com.ph/.

   A motion for the approval of the following resolution will be presented:

   > *"RESOLVED, that the Minutes of the Annual Stockholders' meeting held on 08 July 2021 as appearing in the Minutes Book of the Corporation be approved."*

   The affirmative vote of stockholders representing at least a majority of the outstanding voting capital stock of the Corporation present at the meeting is necessary to approve the resolution.

4. The Management Report

   The President, Mr. Geronimo P. Bella, Jr., shall render the Management Report, which provides the highlights of the performance of the Corporation for the year 2021 and the outlook of the Corporation for the year 2022.

   The President shall also report on the significant operational and financial performance as well as the milestones and achievements of the Corporation for the year 2021.

   The Annual Report will also be posted on the Corporation's website, http://www.harborstar.com.ph/. A resolution noting the Annual Report will be presented to the stockholders for adoption.

   A motion for the approval of the following resolution will be presented:

   > *"RESOLVED, that that the Management Report for 2021 be noted and approved."*

The affirmative vote of stockholders constituting at least a majority of the outstanding voting capital stock of the Corporation present at the meeting is necessary to approve the resolution.

5. Approval of the Audited Consolidated Financial Statements of the Corporation and its subsidiaries as of December 31, 2021

   The approval of the Audited Consolidated Financial Statements as of December 31, 2021 audited by Isla Lipana & Co. (FS), contained in the published version of the Annual Report will presented to the stockholders. The FS will also be embodied in the Information Statement to be sent to the stockholders at least fifteen (15) business days prior to the meeting. The Audit Committee has recommended, and the Board has approved, the FS.

   A resolution approving the FS will be presented to the stockholders, who will be given opportunity to ask questions on the Annual Report and the FS.

   A motion for the approval of the following resolution will be presented:

   > *"RESOLVED, that the Audited Consolidated Financial Statements of the Corporation and its subsidiaries for the period ending 31 December 2021 as discussed in the Annual Report be noted and approved."*

   The affirmative vote of stockholders constituting at least a majority of the outstanding voting capital stock of the Corporation present at the meeting is necessary to approve the resolution.

6. Ratification of all legal acts, resolutions and proceedings of the Board of Directors and of Management since the 08 July 2021 Annual Stockholders' Meeting up to 13 July 2022. A list of the corporate acts to be ratified are enumerated in Item 16, page 22 of the 20-IS

   A motion for the approval of the following resolution will be presented:

   > *"RESOLVED, that all acts, resolutions and proceedings of the Board of Directors and of Management, done in ordinary course of business, since the 08 July 2021 Annual Stockholders' Meeting up to 13 July 2022 be approved, confirmed and ratified."*

   The affirmative vote of stockholders constituting at least a majority of the outstanding voting capital stock of the Corporation present at the meeting is necessary to approve the resolution.

7. Election of directors, including independent directors

   In accordance with Section 16, Article II of the Corporation's By-Laws and the 2017 Manual on Corporate Governance, the deadline for nominations to the Board was on 26 May 2022. After the deadline, the Corporate Governance Committee evaluated the nominees to the Board and determined that all the nominees, including the nominees for independent directors, have all the qualifications of a director pursuant to the By-Laws and applicable laws. Copies of the curriculum vitae and profiles of the candidates to the Board are provided in the Information Statement.

The election of the directors shall be by plurality of votes. Every stockholder may vote the number of shares owned by him for as many persons as there are directors to be elected, or cumulate his votes by giving one candidate as many votes as the number of such directors multiplied by the number of his shares shall equal, or distribute such votes on the same principle among as many candidates as he shall see fit. The seven (7) directors receiving the highest number of votes will be declared elected as directors of the Corporation.

In evaluating the nominations to the Board, the Corporate Governance Committee was guided by its established nomination principles and procedures set forth hereafter.

8. Appointment of external auditor

The Audit Committee has recommended, and the Board has approved the appointment of Isla Lipana & Co. as the external auditor of the Corporation.

The profile of the proposed external auditors is provided in the Information Statement.

A motion for the approval of the following resolution will be presented:

> *"RESOLVED, to approve the appointment of the firm of Isla Lipana & Co. as external auditor of the Corporation for the calendar year 2022."*

The affirmative vote of stockholders representing at least a majority of the outstanding voting capital stock of the stock of the Corporation present at the meeting is necessary to approve the resolution.

9. Consideration of such other business as may properly come before the meeting

Any relevant questions or comments received by the Office of the Corporate Secretary via email within the prescribed period given to registered stockholders shall be properly acknowledged, noted and addressed, accordingly.

10. Adjournment

Upon confirmation by the Corporate Secretary that there are no other matters to be considered, and on motion by a stockholder duly seconded, the Chairman will declare the meeting adjourned. The meeting proceedings shall be recorded in audio and video format to be safe kept by the Office of the Corporate Secretary and shall be made available in a secured manner to stockholders upon request by sending an email to http://www.harborstar.com.ph/.

PROXY

The undersigned stockholder of **HARBOR STAR SHIPPING SERVICES, INC.** (the "Corporation") hereby appoints ____________________________ or in his/her absence, the Chairman of the meeting, as attorney-in-fact or proxy, with power of substitution, to represent and vote all shares registered in his/her name as proxy of the undersigned stockholder, at the **Annual Stockholders' Meeting** of the Corporation to be held via remote communication on **13 July 2022** at **9:30 a.m.,** and at any of the adjournments thereof for the purpose of acting on the following matters:

1. Approval of minutes of annual stockholders' meeting held on 08 July 2021

   _____ Yes _____ No _____ Abstain

2. Approval of the 2021 Management Report

   _____ Yes _____ No _____ Abstain

3. Approval of the 2021 Audited Consolidated Financial Statements

   _____ Yes _____ No _____ Abstain

4. Ratification of all acts of Management and the Board of Directors

   _____ Yes _____ No _____ Abstain

5. Election of Directors

   Vote for nominees listed below:

Geronimo P. Bella, Jr.	Ricardo Rodrigo P. Bella
Ceasar Daniel T. Castro	Ryota Nagata
Ramon C. Liwag	Gene S. De Guzman (Independent Director)
	Gemma V. Sadiua (Independent Director)

   Withhold authority to vote for the nominees listed below:

   _________________________________ _________________________________
   _________________________________ _________________________________
   _________________________________ _________________________________

6. Appointment of Isla Lipana and Co. as external auditor

   Yes No Abstain

7. At their discretion, the proxies named above are authorized to vote upon such other matters as may properly come before the meeting.

_________________________________ _________________________________
Date Printed Name of Stockholder

____
Signature of Stockholder/ Authorized Signatory

This proxy should be received by the Corporate Secretary on or before **28 June 2022**, the deadline for submission of proxies.

This proxy, when properly executed, will be voted in the manner as directed herein by the stockholder(s). If no direction is made, this proxy will be voted “for” the election of all nominees and for the approval of the matters stated above and for such other matters as may properly come before the meeting in the manner described in the information statement and/or as recommended by management or the board of directors.

A proxy submitted by a corporation should be accompanied by a Corporate Secretary’s Certificate quoting the board resolution designating a corporate officer to execute the proxy. Proxies executed by brokers must be accompanied by a certification under oath stating that the broker has obtained the written consent of the account holder.

A stockholder giving a proxy has the power to revoke it at any time before the right granted is exercised. A proxy is also considered revoked if the stockholder attends the meeting in person and expresses his intention to vote in person.

HARBOR STAR
SHIPPING SERVICES, INC.

ANNUAL STOCKHOLDER'S MEETING
OF
HARBORSTAR SHIPPING SERVICES, INC.

930 HRS - 1100HRS

AGENDA

13 July 2022

TO ALL STOCKHOLDERS:

1. Call to Order
2. Certificate of Notice and Quorum
3. Approval of the Minutes of the Annual Stockholders' Meeting held on 08 July 2021
4. Management Report
5. Approval of Audited Financial Statements as of 31 December 2021
6. Ratification of all legal acts, resolutions and proceedings of the Board of Directors and of Management, done in ordinary course of business, since the 08 July 2021 Annual Stockholders' Meeting up to 13 July 2022
7. Election of Directors
8. Appointment of External Auditor
9. Other Matters
10. Adjournment

ANNEX "A"

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **GEMMA V. SADIUA**, Filipino, of legal age and residing at 6A Cleveland Tower, Pacific Avenue, Asiaworld, Brgy. Don Galo, Parañaque City 1700, after having been duly sworn in accordance with law do hereby declare that:

1. I am an independent director of **HARBOR STAR SHIPPING SERVICES, INC.** (the "Corporation").

2. I am currently not affiliated with any companies or organizations.

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of the Corporation, as provided for in Section 38 of the Securities and Exchange Code and its Implementing Rules and Regulations, to the best of my knowledge.

4. I am not related to the directors/officers/substantial shareholders of Harbor Star Shipping Services, Inc. other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code.

5. To the best of my knowledge, I am not a subject of any pending criminal or administrative investigation or proceedings.

6. I do not hold any position in Government Owned and Controlled Corporations and/or work for the government of the Republic of the Philippines.

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

IN WITNESS WHEREOF, I have executed this Certification of Independent Directors this 30 MAY 2022 day of May 2022 at Makati City.

GEMMA V. SADIUA
Affiant

REPUBLIC OF THE PHILIPPINES)
MAKATI CITY)SS.

SUBSCRIBED AND SWORN to before me this 30 MAY 2022 day of May 2022, Affiant exhibiting to me her TIN 169-970-141.

Doc. No. 94;
Page No. 20;
Book No. I;
Series of 2022.

CESAR DOMINI C. GARCIA
NOTARY PUBLIC
ROLL NO. 64262
MAKATI CITY, PHILIPPINES

CESAR DOMINI C. GARCIA
Notary Public for Makati City
Appointment No. M-124
Until 31 December 2022
5/F SGV II Building,
6758 Ayala Avenue, Makati City
Roll of Attorneys No. 64262
PTR No. 8855035 / Makati / 04 January 2022
IBP LM No. 013782 / Makati/ Lifetime Member
MCLE Compliance No. VI-0011742 /
Pasig City / 30 August 2018

ANNEX " B "

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **GENE S. DE GUZMAN**, Filipino, of legal age and residing at 600 PC Santos St. (near cor Tolentino St.), Brgy. San Roque, Pasay City 1303, after having been duly sworn in accordance with law do hereby declare that:

1. I am an independent director of **HARBOR STAR SHIPPING SERVICES, INC.** (the "Corporation").

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

Company/Organizations	Position/ Relationship
PLDT, Inc.	Vice-President of Enterprise Service Assurance Management Center

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of the Corporation, as provided for in Section 38 of the Securities and Exchange Code and its Implementing Rules and Regulations, to the best of my knowledge.

4. I am not related to the directors/officers/substantial shareholders of Harbor Star Shipping Services, Inc. other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code.

5. To the best of my knowledge, I am not a subject of any pending criminal or administrative investigation or proceedings.

6. I do not hold any position in Government Owned and Controlled Corporations and/or work for the government of the Republic of the Philippines.

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

IN WITNESS WHEREOF, I have executed this Certification of Independent Directors this 30 MAY 2022 day of May 2022 at Makati City.

GENE S. DE GUZMAN

REPUBLIC OF THE PHILIPPINES)
MAKATI CITY)SS.

30 MAY 2022

SUBSCRIBED AND SWORN to before me this ___ day of May 2022, Affiant exhibiting to me his TIN 105-466-561.

Doc. No. 95;
Page No. 70;
Book No. I;
Series of 2022.

CESAR DOMINI C. GARCIA NOTARY PUBLIC ROLL NO. 64262 MAKATI CITY, PHILIPPINES

CESAR DOMINI C. GARCIA
Notary Public for Makati City
Appointment No. M-124
Until 31 December 2022
5/F SGV II Building,
6758 Ayala Avenue, Makati City
Roll of Attorneys No. 64262
PTR No. 8855035 / Makati / 04 January 2022
IBP LM No. 013782 / Makati/ Lifetime Member
MCLE Compliance No. VI-0011742 /
Pasig City / 30 August 2018

HARBOR STAR SHIPPING SERVICES, INC.
ANNUAL REPORT

1. GENERAL NATURE AND SCOPE OF THE BUSINESS

1.1 Business Development

Parent Company

Harbor Star Shipping Services, Inc. ("Harbor Star" or "the Company" or "Parent Company") was registered with the Securities and Exchange Commission ("SEC") on 05 July 1988 under the name "Seatows, Inc." with the primary purpose of engaging in domestic and international towage, commerce and navigation in the carriage of goods and passengers by water upon the seas, lakes, rivers, canals, bays, harbors, and other waterways.

Through the years, Harbor Star amended its Articles of Incorporation to engage in other business endeavors. It is now a company with diversified businesses interests ranging from towing to construction to energy.

For its maritime business, Harbor Star is the leading marine services company having the widest area of service coverage and most diverse service lines. In 2009, the Company raised the bar in the tug industry when it was certified as being compliant with ISO 9001:2015 for quality management system, ISO 14001:2015 for environmental management system, and OHSAS 45001:2018 for occupational health safety management system. The Company continues to maintain and upgrade its certifications with DNV-GL.

From its initial office in Manila in 1998, Harbor Star now has offices in Batangas, Cebu, Davao, Cagayan de Oro, Iloilo, and Subic.

On 30 October 2013, Harbor Star's common shares were listed in the Philippine Stock Exchange following the initial public offering of 30.0% of its shares at an issue price of PHP1.88 per share.

In 2014, Harbor Star through its subsidiary, Peak Flag Sdn Bhd., became the first Filipino tugboat company to operate in Malaysia. Its tugs render harbor assist and ship-to-ship transfer operations at Malacca, Malaysia under a service contract in force until 2020.

In 2016, Harbor Star created the Diving, Marine Maintenance and Construction (DMMC) Division and secured its Contractor's License with the Philippine Contractors Accreditation Board ("PCAB") to engage in general construction and engineering in the Philippines. The Company obtained its Triple "A" PCAB License in 2018 allowing it to take on broader and more complex range of projects.

In 2017, Harbor Star formalized its entry into the energy industry when it incorporated a wholly-owned subsidiary, Harbor Star Energy Corporation (HSEC). In 2018, HSEC acquired 100% shareholdings of ASTRONERGY Development Gensan Inc. (ADGI), and 100% of ADGI's subsidiaries, ASTRONERGY Development F1, Inc. and ASTRONERGY Development F2, Inc. The said acquisitions allowed Harbor Star, thru HSEC, to own and control a 25 MW solar power plant project, with option to expand to 75 MW, in General Santos City.

In February 2018, Harbor Star incorporated a wholly-owned subsidiary, Harbor Star East Asia (Myanmar) Ltd.

In August 2018, the Company acquired 31% of the outstanding capital stock of tugboat operator High Energy Marine Services, Inc. (HEMSI). HEMSI is the dominant tugboat operator in the Manila South Harbor which is managed by Asian Terminals, Inc. ("ATI").

In January 2021, Harbor Star was hired by The Supercat Fast Ferry Corporation for the wreck removal of St. Nuriel. The vessel was capsized and sank about 20 meters underwater. Tugboat "Minkar" and "Procyon" was dispatched for the refloating and disposal to the satisfaction of the authorities.

In May 2021, Harbor Star signed a Two (2) year time charter agreement with Philippine Associated Smelting and Refining Corporation ("PASAR") for the second and third tug requirement. PASAR processes and exports refined copper and precious metal in Isabel, Leyte.

In June 2021, Harbor Star was hired by Asian Marine Transport Corporation to salvage Super Shuttle Roro 3. Tugboat "Minkar", "Alphard", "Mimosa", "Homam", and "Caph" was dispatched for the refloating of the vessel.

In September 2021, Harbor Star together with T&T Salvage of the United States, successfully salvaged the Panamanian registered Bulk Carrier "Ambition Journey". The massive 189-meter vessel ran aground last 02 August 2021 in Sulangan Island in Guiuan town, Eastern Samar. Harbor Star and T&T continue to coordinate with the Philippine Coast Guard and the appropriate local government units to ensure the orderly departure of Ambition Journey and the protection of the marine environment.

Also in September 2021, Harbor Star signed a Two (2) year service agreement with Mariveles Grain Corporation ("MGC") to provide towage, salvage, deep-sea diving, wreck removal, docking / undocking, berthing / unberthing and other services to all foreign vessels using the MGC facility at Mariveles, Bataan.

Response to COVID 19 Pandemic

In 2021, the COVID-19 pandemic continues to significantly affect the shipping industry. Foreign vessel call has remained low due to international shipping lines lessening their vessel calls and/or consolidating their calls with other shipping lines due to lack of cargo.

The lack of cargo is due to the quarantine of factory workers as well as restricted travel in China. Being a key piece in the delivery of goods and commodities in the supply chain, shipping was necessarily affected by the low production and manufacture of goods. These events have significantly reduced the foreign vessels calls to the Philippines.

In response to the challenges of the pandemic, Harbor Star implemented several measures to adapt to the business issues presented by the epidemic while ensuring the safety of its employees.

The Company focused on generating revenue from its other service lines such as its special projects division, which focuses on construction and provision of specialized marine services.

Further, the Company initiated internal cost-saving measures requiring departments and units to reduce fixed costs by 5% - 15% in order to reduce the risk of losing income due to reduced revenues. These measures included terminating outsourced non-essential services, renegotiating with/changing suppliers, merging of office functions, and suspending non-critical office activities and programs.

The Company also adopted a strict and encompassing COVID-19 Pandemic Policy to mitigate the risk of being exposed. The Policy includes screening, social distancing, travel restrictions, and a quarantine procedure for all its employees and persons visiting Company premises. The Company also has a business continuity plan which provides for a work-from-home process and a skeletal workforce and schedule to ensure that the Company will continue to operate in the event of any natural or man-made disaster, such as the present COVID-19 pandemic. The Company also offered free vaccination, regular COVID-19 antigen test, sanitation facilities, and personal protective equipment to further transform a safer workplace and mitigate the exposure of our employees to COVID-19.

Subsidiaries

Peak Flag Sdn. Bhd.

Peak Flag Sdn. Bhd. ("Peak Flag") was incorporated in Malaysia on 18 October 2011. Peak Flag aims to provide marine services at select ports in Malaysia which exhibit high vessel traffic and the opening of additional berthing areas.

Peak Flag's commercial operations commenced in February 2015 with M/T Hamal operating at Malaysia's North port. Months after Peak Flag brought in an additional vessel, M/T Mirzam, which operated at Kuantan Port.

In 2019, Peak Flag was awarded a contract to provide harbor tug services to Westports Malaysia Sdn Bhd in Port Klang, Malaysia ("Westports Malaysia"). Peak Flag will provide a sixty (60) ton bollard pull tug for a period of three (3) years with an option for extension for another two (2) years. On 30 May 2019, Peak Flag acquired the 2500 BHP M/T Pollux.

Harbor Star owns a 45.0% stake at Peak Flag.

Harbor Star Subic Corp.

Harbor Star Subic Corp. ("HSSC") was registered with the SEC on 17 September 2015. Its primary purpose is to engage in marine-related ancillary services such as harbor assistance, towage, lighterage, oil-spill response and underwater marine services.

HSSC commercial operations commenced in 2016 with the arrival of its first vessel M/T Lucida.

In December 2018, Harbor Star Subic has now two deployed vessels, M/T Lucida and M/T Zaniah, to service calling the economic zone.

On 15 March 2019, Harbor Star Subic acquired the 3,600 BPH M/T Jabbah to support its operations in Subic.

Harbor Star owns 99.9% of HSSC.

Harbor Star Energy Corporation

On 11 May 2017, the Securities and Exchange Commission approved the incorporation of Harbor Star Energy Corporation ("HSEC"), a wholly owned subsidiary of the Company. The primary purpose of HSEC is to carry on the general business of generating, distributing and storing electric power derived from solar energy, other renewable energy sources and fuels.

In 2018, HSEC acquired 100% shareholdings of ASTRONERGY Development Gensan Inc. (ADGI), and 100% of ADGI's subsidiaries, ASTRONERGY Development F1, Inc. and ASTRONERGY Development F2, Inc. The said acquisitions allowed Harbor Star, thru HSEC, to own and control a 25 MW solar power plant project, with option to expand to 75 MW, in General Santos City.

General Santos City is the regional center for commerce and industry of the SOCCSKSARGEN Region and is geographically located within the province of South Cotabato.

In April 2019, ASTRONERGY Development Gensan, Inc. ("ADGI") inaugurated its 25-megawatt solar power plant on 25 April 2019 at Sitio Changco, Barangay Siguel, General Santos City.

In July 2019, the power plant delivered its first electricity to the local distribution utility, South Cotobato II Electric Cooperative, Inc. (SOCOTECO II)

As of 31 December 2021, ADGI has delivered 83,629,000 KWh of electricity to SOCOTECO II.

Harbor Star owns 99.9% of HSEC.

Harbor Star East Asia (Myanmar) Ltd.

On 15 February 2018, the Republic of the Union of Myanmar approved the incorporation of Harbor Star East Asia (Myanmar) Ltd. (HSEA), a wholly-owned subsidiary of Harbor Star Shipping Services, Inc., primarily to explore several business opportunities in Myanmar by marketing its expertise in integrated maritime services.

As of 18 May 2021, the registered office of HSEA is located in Yangon, Myanmar. There is currently no operation due to the current political struggle and COVID pandemic.

Harbor Star owns 99.99% of HSEA.

Harbor Star East Asia (Thailand) Co., Ltd.

On 20 September 2019, the Department of Business Development of Malaysia approved the incorporation of Harbor Star East Asia (Thailand) Co., Ltd. The company was registered to be engaged in the maritime business.

As of December 2021, Harbor Star East Asia (Thailand) Co., Ltd has been liquidated because of its lack operation due to the pandemic.

Harbor Star owns 28.99% of HSEA Thailand.

Harbor Star Construction Corporation

On 23 April 2021, the SEC approved the incorporation of Harbor Star Construction Corporation (HSCC), a wholly-owned subsidiary of Harbor Star Shipping Services, Inc., will engage in the business of general building construction and other allied business including the constructing, developing, repairing, altering, enlarging, removing, restoring, designing, or otherwise engaging in any construction jobs of all description or works.

On 23 April 2021, the Securities and Exchange Commission issued the certificate of incorporation of Harbor Star Construction ("HSCC"). HSCC is a wholly-owned subsidiary of TUGS with an authorized capital stock of Ninety Million Pesos (P90,000,000.00) of which Thirty Million Pesos (P30,000,000.00) have been subscribed and fully paid.

Harbor Star owns 99.99% of HSCC.

1.2 Business of the Issuer

1.2.1 Overview

Harbor Star offers a wide range of indispensable maritime services such as harbor assistance, towing, lighterage, ship salvage, marine construction, repair and maintenance works, wreck removal, firefighting, oil spill abatement and recovery, handling hazardous chemical, ship and crew management, diving and underwater marine works.

With strategically deployed tugs in Luzon, Visayas, and Mindanao, Harbor Star is renowned as having the widest area of coverage of tug services in the Philippine archipelago.

As of 31 December 2021, Harbor Star, including its domestic subsidiaries and affiliates, has established operations in twelve (12) base ports all over the country, providing services to approximately seven thousand five hundred twenty-nine (7,529) ships as of yearend 2021. The major ports that the Company services include: the Manila International Container Terminal ("MICT"), Manila South Harbor, Bataan, Batangas, Cagayan de Oro ("CDO"), Davao and the newly opened branch at Iloilo.

The Company maintains and manages a fleet of: fifty (50) domestically and internationally classed tugboats; eight (8) barges; one (1) LCT (Landing Craft Tank); one (1) Cargo Ship; one (1) Tanker, and one (1) Dredger. The company has a total of sixty-two (62) vessels.

1.2.2 Marine Services

Harbor Star derives the bulk of its revenues from six (6) main service lines, namely; (a) harbor assistance, (b) lighterage, (c) towing, (d) salvage, (e) marine construction, repair and maintenance works and (f) other marine services. Other marine services include oil and chemical spill response, diving and underwater services, and ship and crew management.

Harbor Assistance. Harbor Star focuses its harbor assistance operations at ports with heavy vessel traffic, such as MICT, and the ports of Bataan, Batangas, CDO, and Davao. In addition to public or open ports, Harbor Star also provides services to a number of private ports managed by corporations engaged in the oil and gas, power, and mining industries.

As of 31 December 2021, revenues from harbor assistance amounted to PHP1,030 million, equivalent to 75% of total revenue.

Lighterage. Harbor Star's tug and barge tandems are capable of transporting different types of cargo domestically and within the region. For lighterage services, Harbor Star charges the client a fixed charter rate. The charter rate covers the use and maintenance of the vessel, crewing, insurance, and administrative support costs incurred during operations.

As of 31 December 2021, revenues from lighterage services amounted to PHP110 million, equivalent to 8% of total revenue.

Salvage. Salvage is any act or activity undertaken to assist a vessel or any other property in danger in navigable waters or in any other waters. Using international methods and standards, Harbor Star offers the following salvage services:

a. Vessels in distress – This include instances when vessels are on fire, capsized or sinking vessels, among others, that require rescuing.

b. Wreck removal – This includes refloating of vessels that ran aground, retrieval of vessels, among others.

c. Wayward vessels – This pertains to breakaway or abandoned vessels drifting afloat and wandering into waters that are vulnerable to collisions and other maritime accidents.

As of 31 December 2020, revenues from salvage operations amounted to PHP109 million, equivalent to 8% of total revenue.

Towing. Harbor Star provides services in various stages of the towing cycle, from planning activities to the actual towage operation. The company provides two (2) types of towing services:

a. Regular towing – when a tugboat is chartered to tow a vessel or barge from one port to another port.

b. Emergency towing – when a vessel in distress needs a towing service.

As of 31 December 2021, revenues from salvage operations amounted to PHP109 million, equivalent to 8% of total revenue.

Construction, Repair and Maintenance Works. Harbor Star strengthened its marine ancillary services by offering port construction, pier repair, port-related development, road development, and other non-residential construction.

As of 31 December 2021, revenues from other construction, repair and maintenance work amounted to PHP24 million, equivalent to 2% of total revenue.

Other Marine Services. Harbor Star's marine and other ancillary services include:

a. Oil and Chemical Spill Response
b. Ship repairs
c. Buoy construction deployment and maintenance
d. Diving services, which includes underwater repairs, and Single Buoy Moorings (SBM) and repair
e. Ship and crew management
f. Fire fighting
g. Offshore tug services

As of 31 December 2021, revenues from other marine services amounted to PHP84 million, equivalent to 6% of total revenue.

1.3 Legal Proceedings

The Company has no pending legal proceedings which would materially affect its financial auditing or operational capability to which the registrant or any of its subsidiaries or affiliates is a party or of which any of their property is the subject.

2. MANAGEMENT'S DISCUSSION AND ANALYSIS AND PLAN OF OPERATIONS

The following discussion and analysis relate to the consolidated financial condition and results of operations of Harbor Star Shipping Services, Inc. and its subsidiary (the "Group") and should be read in conjunction with the accompanying audited consolidated financial statements and related notes as of and for the interim period ended 31 March 2021 and the year ended 31 December 2020.

References to “Harbor Star” and “the Company” pertain to Harbor Star Shipping Services, Inc., Parent Company, while references to “the Group” pertain to Harbor Star Shipping Services, Inc. and its subsidiaries.

<u>Results of Operation</u>

A. For the interim period ended 31 March 2022

Results of Operations

	For the Three Months Ended March 31, 2022 (Unaudited)	2021 (Unaudited)	% Change
Service income, net	703,252,175	427,471,250	64.51%
Cost of Services	337,555,362	313,694,004	7.61%
General and Admin. Expenses	98,799,407	122,723,527	(19.49%)
Other Charges, net	67,964,787	57,683,565	17.82%
Net Income (Loss) Before Income Tax	198,932,618	(66,629,846)	398.56%

Service income

The Group has posted total service income, net of P703.25 million for the three-month period ended March 31, 2022, or 64.51% higher than P427.47 million posted in 2021 of same period (Note 16).

The Group mainly sourced its 64.51% increase in service income, net from the following increases: salvage income of P182.43 million, harbor assistance, net of discounts and rebates of P46.82 million, towing services of P19.44 million, construction revenue of P15.87 million, other marine services of P10.08 million, underwater services of P7.05 million and revenue on generation of solar power of P3.89 million (Note 16).

Cost of services

The Group’s total cost of services for the three-month period ended March 31, 2022 has increased by 7.61% amounting to P23.86 million from P313.69 million on March 31, 2021 to P337.56 million on March 31, 2022 mainly due to fuel and lubricants, depreciation, direct labor, transportation, port expense, insurance, personnel costs and others (Note 17).

General and administrative expenses

The Group’s general and administrative expenses posted as of 1st quarter of 2022 have decreased by 19.49% amounting to P23.92 million from P122.72 million on March 31,2021 to P98.80 million on March 31, 2022 mainly due to depreciation, professional fees, personnel costs and repairs and maintenance (Note 18).

Other charges, net

The net increase change in other charges, net of 17.82% amounting to P10.28 million from P57.68 million on March 31, 2021 to P67.96 million on March 31, 2022 is mainly due to the interest expense on borrowings and loans.

Net loss before tax

The pre-tax net income of the Group has significantly increased by 398.56% amounting to P265.56 million from net loss of (P66.63) million on March 31, 2021 to net income of P198.93 million on March 31, 2022 mainly due to increase in net service revenue and decrease in general and administrative expense.

Financial Condition

	As at March 31, 2022 (Unaudited)	As at December 31, 2021 (Audited)
Total Assets	6,562,275,366	6,209,245,773
Total Liabilities	5,050,008,922	4,950,326,113
Total Equity	1,512,266,444	1,258,919,660

Cash and cash equivalent

The account has increased by 36.67% amounting to P96.79 million from P263.96 million on December 31, 2021 to P360.75 million on March 31, 2022 mainly due to collections from salvage projects (Note 4).

Trade and other receivables, net

T The account has increased by 12.34% amounting to P118.27 million from P958.54 million on December 31, 2021 to P1.08 billion on March 31, 2022 mainly due to trade receivable on operations (Note 5).

Prepayments and other current assets

The account has increased by 43.62% amounting to P133.67 million from P306.42 million on December 31, 2021 to P440.09 million on March 31, 2022 mainly due prepaid rent, prepaid insurance, prepaid fees and dues, prepaid benefits, input VAT and refundable deposits (Note 6).

Property and equipment at cost, net

The account has increased by 0.40% amounting to P8.81 million from P2.22 billion on December 31, 2021 to P2.23 billion on March 31, 2022 mainly due to major improvement made to the assets (Note 9).

Trade and other payables

The account has increased by 35.10% amounting to P224.24 million from P638.78 million on December 31, 2021 to P863.02 million on March 31, 2022 mainly due to trade payables related to operations, unearned income, advances from employees, payable to government agencies and output VAT (Note 13).

Borrowings, current portion

The account has decreased by 0.86% amounting to P2.24 million from P259.27 million on December 31, 2021 to P257.03 million on March 31, 2022 due to payment of borrowings (Note 14).

Lease liabilities, current portion

The account has decreased by 21.10% amounting to P1.43 million from P6.77 million on December 31, 2021 to P5.34 million on March 31, 2022 due to payment of lease liabilities (Note 14).

Trade payables, net of current portion

The account has increased by 76.94% amounting to P11.73 million from P15.25 million on December 31, 2021 to P26.98 million on March 31, 2022 due to unsettled obligations related to operations due more than one year from the end of reporting period.

Borrowings, net of current portion

The account has decreased by 4.04% amounting to P133.73 million from P3.31 billion on December 31, 2021 to P3.18 billion on March 31, 2022 mainly due to payment of borrowings (Note 14).

Retained earnings (Deficit)

The account has increased by 719.19% amounting to P231.54 million from deficit of (P32.19) million on December 31, 2021 to retained earnings of P199.35 million on March 31, 2022 mainly due to net income of the Group.

Discussion and Analysis of Material Events and Uncertainties

As at and for the periods ended March 31, 2022 and December 31, 2021:

- There are no other material changes in the Group's financial position (changes of 5.00% or more) and condition that will warrant a more detailed discussion.
- The Group is not aware of any known trends, or any known demands, commitments, events, or uncertainties that will result in or that are reasonably likely to result in the Group's liquidity increasing or decreasing in any material way.
- The Group is not aware of any event that would trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation.
- All material off-balance sheet transactions, arrangements, obligations and other relationships of the Group with unconsolidated entities or other persons created during the period were considered.
- There are no known trends, events, or uncertainties that have had or that are reasonably expected to have materially favorable or unfavorable impact on net revenues or income from continuing operations.
- The Group is not aware of any significant elements of income and loss that did not arise from the Group's continuing operations.
- The Group is not aware of any seasonal aspects that had a material effect on the financial condition or results of operations.

Comparative Key Performance Indicators

The Group uses the following financial metrics to assess its performance from period to period.

Financial Soundness Indicator	**March 31 2022** (Unaudited)	**March 31 2021** (Unaudited)	**December 31 2021** (Audited)	**December 31 2020** (Audited)
Current Ratio	1.13:1	0.42:1	0.05:1	0.40:1

Quick Ratio	0.87:1	0.33:1	0.86:1	0.31:1
Debt-to-Equity Ratio	3.31:1	4.33:1	3.93:1	3.99:1
Asset-to-Equity Ratio	4.44:1	5.46:1	4.93:1	5.08:1
Interest Coverage Ratio	0.38:1	0.01:1	0.38:1	0.39:1
Net Profit Margin Ratio	28.14%	(15.59%)	(5.28%)	(5.05%)
Gross Profit Margin Ratio	52.00%	26.62%	28.45%	26.97%

Financial Risk Management Objectives and Policies

Please refer to Note 22 of the notes to the consolidated financial statements.

B. For the year ended 31 December 2021

The table shows a summary of the consolidated results of operations for the years ended 31 December 2021, 2020, and 2019 as derived from the accompanying audited financial statements.

Table 5: Condensed Statements of Total Comprehensive Income

In PHP thousands	**December 2021**	**December 2020**	**December 2019**	**% Change *2021 vs 2020***	**% Change *2020 vs 2019***
Service income, net of discounts	1,909,340	1,682,550	1,396,055	13.5%	20.5%
Cost of service	(1,366,190)	(1,228,754)	(1,111,421)	11.2%	10.6%
General and administrative expenses	(336,686)	(314,962)	(344,714)	6.9%	(8.6%)
Net impairment losses on financial assets	(99,678)	(100,155)	(84,118)	(0.5%)	19.1%
Other income (loss), net	(3,804)	67,265	(14,619)	(105.7%)	(560.1%)
Finance cost	(270,062)	(274,706)	(256,646)	(1.7%)	7.0%
Share in profit of associates	20,278	82,309	15,917	(75.4%)	417.1%
Income tax benefit (expense)	(11,210)	1,522	23,292	(836.5%)	(93.5%)
Profit (loss) after tax	(158,011)	(84,930)	(376,255)	86.0%	(77.4%)
EBITDA (1)	543,892	654,478	292,756	(16.9%)	123.6%
EBIT (2)	123,260	188,254	(142,930)	(34.5%)	(231.7%)
Remeasurements on retirement benefits, net of tax	25,807	2,018	(11,085)	(1178.8%)	(118.2%)
Share in other comprehensive income (loss) of associates	-	-	(282)	-	100.0%
Basic and diluted earnings (loss) per share	(0.19)	(0.11)	(0.41)	72.7%	(73.2%)

(1) EBITDA is not a uniform or legally defined financial measure. It generally represents earnings before interest, taxes, depreciation and amortization. EBITDA is presented because the Group believes it is an important measure of its performance and liquidity. EBITDA is also frequently used by securities analysts, investors and other interested parties in the evaluation of companies in the industry. The Group's EBITDA figures are not; however, readily comparable with other companies' EBITDA figures as they are calculated differently and thus, must be read in conjunction with related additional explanations. EBITDA has limitations as an analytical tool and should not be considered in isolation or as a substitute for analysis of the Group's results as reported under PFRS. Some of the limitations concerning EBITDA are:

• EBITDA does not reflect cash expenditures or future requirements for capital expenditures or contractual commitments;

• EBITDA does not reflect changes in, or cash requirements for working capital needs;

• EBITDA does not reflect the interest expense, or the cash requirements necessary to service interest or principal debt payments;

• Although depreciation and amortization are non-cash charges, the assets being depreciated or amortized will often have to be replaced in the future, and EBITDA does not reflect any cash requirements for such replacements; and
• Other companies in the industry may calculate EBITDA differently, which may limit its usefulness as a comparative measure.
Because of these limitations, EBITDA should not be considered as a measure of discretionary cash available to the Group to invest in the growth of the business. The Group compensates for these limitations by relying primarily on the PFRS results and uses EBITDA only as supplementary information.

(2) EBIT, or Earnings Before Interest and Taxes, is calculated by taking net revenues and deducting cash operating expenses and depreciation and amortization.

Comparison of Operating Results For The Year Ended 31 DECEMBER 2021 VS. 31 DECEMBER 2020

Service Income

The breakdown of service income is presented as follows:

Table 6: Service Income Breakdown December 2021 vs. December 2020

In PHP thousands	**December 2021**	**December 2020**	**% Increase (Decrease)**	**December 2021 % Contribution**	**December 2020 % Contribution**
Harbor assistance*	1,109,333	1,030,565	7.6%	58.1%	61.3%
Revenue on generation of solar power	301,641	305,407	(1.2%)	15.8%	18.2%
Salvage income	260,371	109,039	138.8%	13.6%	6.5%
Lighterage services	110,737	110,097	0.6%	5.8%	6.5%
Construction revenue	70,309	24,832	183.1%	3.7%	1.5%
Towing services	24,307	17,719	37.2%	1.3%	1.1%
Others	32,641	84,891	(61.5%)	1.7%	5.0%
Service Income	**1,909,339**	**1,682,550**	**13.5%**	**100%**	**100%**

**Net of service discount, which refers to discounts given to client for Harbor assistance service only.*

The Group's consolidated service income increased by 13.5% from PHP1,682.6 million to PHP1,909.3 million on December 31, 2020 and 2021, respectively.

Major positive contributor is the salvage income which grew from PHP109.0 million on December 31, 2020 to PHP260.4 million on December 31, 2021 due to some salvage projects during the year. Harbor assistance also grew from PHP1,030.6 million on December 31, 2020 to PHP 1,109.3 million on December 31, 2021 pertains to services rendered in assisting ships and other watercrafts in docking and undocking at the port

Cost of services

Cost of services increased by 11.2% amounting to PHP137.4 million from PHP1,228.8 million on December 31, 2020 to PHP1,366.2 million on December 31, 2021. The increase is mainly due to higher outside services, fuel and lubricants, rent, personnel costs for employees for various projects.

Below presents the breakdown of the cost of services.

Table 7: Cost of Services Breakdown December 2021 vs. December 2020

In PHP thousands	**December 2020**	**December 2019**	**% Increase (Decrease)**	**December 2020 % Contribution**	**December 2019 % Contribution**
Depreciation and amortization	421,251	394,759	6.7%	34.3%	35.5%

Personnel costs	225,404	214,258	5.2%	18.3%	19.3%
Fuel and lubricants	208,176	211,362	(1.5%)	16.9%	19.0%
Supplies and construction supplies	71,409	24,210	195.0%	5.8%	2.2%
Insurance	59,383	53,390	11.2%	4.8%	4.8%
Outside services	55,572	40,420	37.5%	4.5%	3.6%
Rent	43,674	24,740	76.5%	3.6%	2.2%
Charter hire	32,789	32,568	0.7%	2.7%	2.9%
Repairs and maintenance	22,356	15,985	39.9%	1.8%	1.4%
Port expense	21,427	20,509	4.5%	1.7%	1.8%
Amortization right-of-use asset	17,504	17,504	-	1.4%	1.6%
Transportation and travel	7,583	8,162	(7.1%)	0.6%	0.7%
Professional fees	6,099	4,122	48.0%	0.5%	0.4%
Communication, light and water	3,498	4,396	(20.4%)	0.3%	0.4%
Taxes and licenses	947	2,814	(66.3%)	0.1%	0.3%
Others	31,682	42,222	(25.0%)	2.6%	3.8%
Cost of Services	**1,228,754**	**1,111,421**	**10.6%**	**100%**	**100%**

Gross profit and gross profit margin

The Group's gross profit is higher by 19.7% amounting to PHP89.4 million from PHP453.8 million on December 31, 2020 to PHP543.1 million on December 31, 2021, primarily due to the higher increase in service income, net than the increase in cost of services. Consequently, gross profit margin is higher at 28.4% in 2021 from 27.0% in 2020.

General and administrative expenses

The Group's general and administrative expenses increased by 6.9% amounting to PHP21.7 million from PHP315.0 million on December 31, 2020 to PHP336.7 million on December 31, 2021. This is mainly due to higher provision for assessment, transportation and travel, taxes and licenses, personnel costs, representation and entertainment and repairs and maintenance.

Below presents the breakdown of the general and administrative expenses.

Table 8: General and Administrative Expenses Breakdown
December 2021 vs. December 2020

In PHP thousands	**December 2021**	**December 2020**	**% Increase (Decrease)**	**December 2021 % Contribution**	**December 2020 % Contribution**
Personnel costs	121,601	117,104	3.8%	36.1%	37.2%
Taxes and licenses	39,233	30,537	28.5%	11.7%	9.7%
Representation and entertainment	29,519	25,390	16.3%	8.8%	8.1%
Repairs and maintenance	28,278	26,473	6.8%	8.4%	8.4%
Depreciation and amortization	20,330	19,050	6.7%	6.0%	6.0%
Transportation and travel	19,411	8,595	125.8%	5.8%	2.7%
Provision for assessment	12,094	602	1909.0%	3.6%	0.2%
Professional fees	9,555	11,252	(15.1%)	2.8%	3.6%
Outsourced services	8,902	5,659	57.3%	2.6%	1.8%
Provision for impairment of input	8,283	9,058	(8.6%)	2.5%	2.9%

VAT					
Amortization of computer software	7,260	6,797	6.8%	2.2%	2.2%
Insurance	6,849	8,335	(17.8%)	2.0%	2.6%
Communications	4,023	3,731	7.8%	1.2%	1.2%
Supplies and construction supplies	3,909	5,512	(29.1%)	1.2%	1.8%
Utilities	2,909	2,785	4.5%	0.9%	0.9%
Rent	1,935	2,206	(12.3%)	0.6%	0.7%
Amortization of right-of-use assets	1,915	1,759	8.9%	0.6%	0.6%
Registration and membership fees	1,878	100	1778.0%	0.6%	0.0%
Amortization of leasehold rights	1,621	1,621	-	0.5%	0.5%
Advertising and promotions	787	1,282	(38.6%)	0.2%	0.4%
Fuel and lubricants	89	181	(50.8%)	0.0%	0.1%
Write-off of receivable	-	6,825	(100.0%)	-	2.2%
Others	6,305	20,107	(68.6%)	1.9%	6.4%
Gen. and Admin. Expenses	**336,686**	**314,961**	**6.9%**	**100%**	**100%**

Other income (loss), net

Other income (loss), net consists of foreign exchange gain and loss, interest income, loss on debt restructuring, gain (loss) on sale of property and equipment, ship management, insurance claims, gain on reversal of finance lease liability, provision on construction receivables, cost recharges and non-routine special projects. This account decreased by 105.7% amounting to PHP71.1 million from PHP67.3 million other income on December 31, 2020 to (PHP3.8) million other loss on December 31, 2021. This is mainly due to the recognized loss on debt restructuring and loss on sale of property and equipment.

Operating profit (loss) and operating profit (loss) margin

The Group experienced a decline by 2.8% amounting to PHP3.0 million from PHP105.9 million operating income on December 31, 2020 to PHP103.0 million operating income on December 31, 2021. This is mainly due to increased general and administrative expenses and other loss. Operating profit (loss) margin, in like manner, decreased from 6.3% in 2020 to 5.4% in 2021.

Finance Cost

The Company incurred finance costs, consisting of interest expense and unrealized foreign exchange loss on borrowings. The decrease is attributable to payment of borrowings throughout the year.

EBITDA

EBITDA (earnings before interests, taxes, depreciation and amortization) is lower by 16.9% from PHP654.5 million on December 31, 2020 to PHP543.9 million on December 31, 2021. The decrease can be attributable to the higher increase in general and administrative expenses, other loss and income tax expense.

Net profit (loss) and net profit (loss) margin

The Group experienced a decline by 86.0% amounting to PHP73.1 million from (PHP84.9) million net loss for the year ended 31 December 2020 to (PHP158.0) million net loss for the year ended 31 December 2021 due mainly to increase in general and administrative expenses, other loss and income tax expense and decrease in share in profit of associates. The ratio of consolidated net income to consolidated service income, net stood at (8.3%) and (5.0%) in 2021 and 2020, respectively.

Material Changes to the Statements of Financial Position as of 31 December 2021 Compared to the Statements of Financial Position as of 31 December 2020

Cash and cash equivalents

The account decreased by 3.1% amounting to PHP8.5 million from PHP272.5 million in 2020 to PHP264.0 million in 2021 mainly due to acquisition of property, plant and equipment, software, investment properties, payment of borrowings and payment of lease liabilities.

Trade and other receivables, net

The account increased by 29.0% amounting to PHP215.6 million from PHP743.0 million in 2020 to PHP958.5 million in 2021 mainly due receivables from customers for rendering harbor assistance and other marine services and solar energy fee to energy supply which are not yet collected during the year.

Property and equipment at revalued amounts, net

The increased by 15.8% amounting to PHP227.4 million from PHP1,435.5 million in 2020 to PHP1,662.9 million in 2021 mainly due to acquired property and equipment and revaluations.

Property and equipment at cost, net

The account decreased by 4.6% amounting to PHP107.5 million from PHP2,332.0 million in 2020 to PHP2,224.5 million in 2021 mainly due to depreciations of barges, building and building improvements, equipment for transportation, diving and oil spill, construction.

Computer software, net

The account decreased by 17.6% amounting to PHP4.2 million from PHP23.6 million in 2020 to PHP19.4 million in 2021 mainly due to amortization.

Investment properties

The account increased by 7.5% amounting to PHP3.7 million from PHP48.5 million in 2020 to PHP52.2 in 2021 mainly due to capitalized expenditure.

Investment in associates

The account increased by 4.7% amounting to PHP9.2 million from PHP198.0 million in 2020 to PHP207.3 million in 2021 mainly due to recognition of share in net income less dividends from associates.

Deferred income tax assets, net

The account decreased by 100% amounting to PHP33.8 million from PHP33.8 million in 2020 to nil in 2021 mainly due to offsetting to deferred tax liabilities.

Trade and other payables

The account increased by 34.5% amounting to PHP163.9 million from PHP474.9 million in 2020 to PHP638.8 million in 2021 mainly due to increases in payables related to operations, accrued interest on interest bearing loans, accrued construction costs in relation to unliquidated expenses of construction projects employees, other accrued expenses related to insurance companies and unliquidated business expenses.

Short-term loans

The account increased by 4.9% amounting to PHP24.3 million from PHP498.0 million in 2020 to PHP522.3 million in 2021 due to additional acquired loan to finance capital expenditures that are non-qualifying assets.

Borrowings, current portion

The account decreased by 88.7% amounting to PHP2,033.0 million from PHP2,292.3 million in 2020 to PHP259.3 million in 2021 mainly due to payment of borrowings and reclassification of current to non-current borrowings.

Lease liabilities, current portion

The account increased by 34.2% amounting to PHP1.7 million from PHP5.0 million in 2020 to PHP6.8 million in 2021 mainly due to additional lease and interest expense.

Trade payables, net of current portion

The account increased by 30.0% amounting to PHP3.5 million from PHP11.7 million in 2020 to PHP15.2 million in 2021 mainly due to accrued construction cost, fuel, provisions and accrued interest payable on long-term loans.

Non-current portion of loans payable

The account decreased by 100% amounting to PHP69,289 from PHP69,289 in 2020 to nil in 2021 mainly due to payment for loans for working capital.

Borrowings, net of current portion

The account increased by 154.7% amounting to PHP2,011.5 million from PHP1,300.4 million in 2020 to PHP3,311.9 million in 2021 mainly due to reclassification of current to non-current borrowings.

Lease liabilities, net of current portion

The account decreased by 10.6% amounting to PHP3.8 million from PHP35.6 million in 2020 to PHP31.8 million in 2021 mainly due to lease payment.

Deferred income tax liabilities, net

The account increased by 100.0% amounting to PHP49.5 million from nil in 2020 to PHP49.5 million in 2021 due to deferred income tax credited to profit or loss and other comprehensive income.

Retirement benefits obligation

The account decreased by 14.8% amounting to PHP18.5 million from PHP124.5 million in 2020 to PHP106.0 million in 2021 mainly due to remeasurement brought about by experience adjustments.

Revaluation surplus, net of tax

The account increased by 304.4% amounting to PHP215.8 million from PHP70.9 million in 2020 to PHP286.7 million in 2021 due to revaluation increment.

Retained earnings

The account decreased by 134.3% amounting to PHP126.2 million from PHP94.0 million in 2020 to (PHP32.2) million in 2021 mainly due to loss incurred by the Group during the year.

Comparison of Operating Results for the Years Ended 31 December 2020 vs. 31 December 2019

Service Income

The breakdown of service income is presented as follows:

Table 9: Service Income Breakdown December 2020 vs. December 2019

In PHP thousands	**December 2020**	**December 2019**	**% Increase (Decrease)**	**December 2020 % Contribution**	**December 2019 % Contribution**
Harbor assistance*	1,030,565	1,054,401	(2.3%)	61.3%	75.5%
Revenue on generation of solar power	305,407	107,143	185.0%	18.2%	7.7%
Lighterage services	110,097	103,338	6.5%	6.5%	7.4%
Salvage income	109,039	31,856	242.3%	6.5%	2.3%
Construction revenue	24,832	-	100.0%	1.5%	-
Towing services	17,719	36,927	(52.0%)	1.1%	2.6%
Others	84,891	62,390	36.1%	5.0%	4.5%
Service Income	**1,682,550**	**1,396,055**	**20.5%**	**100%**	**100%**

**Net of service discount, which refers to discounts given to client for Harbor assistance service only.*

The Group’s consolidated service income increased by 20.5% from PHP1,396.1 million to PHP1,682.6 million as of December 31, 2019 and 2020, respectively.

Major positive contributor is the revenue on generation of solar power which grew from PHP107.1 million as of December 31, 2019 to PHP305.4 million as of December 31, 2020 due to higher solar energy generated as the Group have their first full operations of solar energy generation during the year. Lighterage services, salvage income, construction revenue, diving, other underwater services and others contributed the increases of PHP131.3 million during 2020 primarily due to income recognized for salvage regarding the emergency response in Iloilo and Guimaras and revenue recognized for construction contracts.

Harbor assistance decreased by 2.3% amounting to PHP23.8 million from PHP1,054.4 million as of December 31, 2019 to PHP1,030.6 million as of December 31, 2020. Towing services declined by 52% amounting to PHP19.2 million from PHP36.9 million as of December 31, 2019 to PHP17.7 million as of December 31, 2020.The decline is the impact of the COVID-19 pandemic as the Group is not able to fully operate their due restricted lockdowns.

Subsidiaries, such as Astronergy Development Gensan, Inc., and Harbor Star Subic Corp., contributed to the Group's revenue as of December 31, 2020 amounted to PHP305.4 million and PHP52.3 million, respectively.

Cost of services

Cost of services increased by 10.6% amounting to PHP117.3 million from PHP1,111.4 million in 2019 to PHP1,228.8 million in 2020. The increase is mainly due to higher depreciation and amortization as there are additional capital expenditures recognized, personnel costs for employees, construction costs for supplies, labor and materials, insurance, outside services for various projects, rent, repair and maintenance and professional fees.

Below presents the breakdown of the cost of services.

Table 10: Cost of Services Breakdown December 2020 vs. December 2019

In PHP thousands	**December 2020**	**December 2019**	**% Increase (Decrease)**	**December 2020 % Contribution**	**December 2019 % Contribution**
Depreciation and amortization	421,251	394,759	6.7%	34.3%	35.5%
Personnel costs	225,404	214,258	5.2%	18.3%	19.3%
Fuel and lubricants	208,176	211,362	(1.5%)	16.9%	19.0%
Supplies and construction supplies	71,409	24,210	195.0%	5.8%	2.2%
Insurance	59,383	53,390	11.2%	4.8%	4.8%
Outside services	55,572	40,420	37.5%	4.5%	3.6%
Rent	43,674	24,740	76.5%	3.6%	2.2%
Charter hire	32,789	32,568	0.7%	2.7%	2.9%
Repairs and maintenance	22,356	15,985	39.9%	1.8%	1.4%
Port expense	21,427	20,509	4.5%	1.7%	1.8%
Amortization right-of- use asset	17,504	17,504	-	1.4%	1.6%
Transportation and travel	7,583	8,162	(7.1%)	0.6%	0.7%
Professional fees	6,099	4,122	48.0%	0.5%	0.4%
Communication, light and water	3,498	4,396	(20.4%)	0.3%	0.4%
Taxes and licenses	947	2,814	(66.3%)	0.1%	0.3%
Others	31,682	42,222	(25.0%)	2.6%	3.8%
Cost of Services	**1,228,754**	**1,111,421**	**10.6%**	**100%**	**100%**

Gross profit and gross profit margin

The Group's gross profit is higher by 59.4% amounting to PHP169.2 million from PHP284.6 million in 2019 to PHP453.8 million in 2020, primarily due to the higher increase in service income, net than the increase in cost of services. Consequently, gross profit margin is higher at 27.0% in 2020 from 20.4% in 2019.

General and administrative expenses

The Group's general and administrative expenses decreased by 8.6% amounting to PHP29.8 million from PHP344.7 million in 2019 to PHP315.0 million in 2020. This is mainly due to taxes and licenses, depreciation and amortization as there are disposals of assets, professional fees, transportation and travel due to pandemic travel restrictions, communication, rent, advertising and promotions and provision for assessment.

Below presents the breakdown of the general and administrative expenses.

Table 11: General and Administrative Expenses Breakdown
December 2020 vs. December 2019

In PHP thousands	December 2020	December 2019	% Increase (Decrease)	December 2020 % Contribution	December 2019 % Contribution
Personnel costs	117,104	112,852	3.8%	37.2%	32.7%
Taxes and licenses	30,537	34,950	(12.6%)	9.7%	10.1%
Repairs and maintenance	26,473	3,955	569.4%	8.4%	1.1%
Representation and entertainment	25,390	20,330	24.9%	8.1%	5.9%
Depreciation and amortization	20,672	22,097	(6.4%)	6.6%	6.4%
Professional fees	11,252	24,079	(53.3%)	3.6%	7.0%
Provision for impairment of input VAT	9,058	9,058	-	2.9%	2.6%
Transportation and travel	8,595	37,097	(76.8%)	2.7%	10.8%
Insurance	8,335	5,909	41.1%	2.6%	1.7%
Write-off of receivable	6,825	5,534	23.3%	2.2%	1.6%
Amortization of computer software	6,797	1,327	412.2%	2.2%	0.4%
Outsourced services	5,659	5,892	(4.0%)	1.8%	1.7%
Supplies and construction supplies	5,512	5,436	1.4%	1.8%	1.6%
Communications	3,731	5,319	(29.9%)	1.2%	1.5%
Utilities	2,785	2,631	5.9%	0.9%	0.8%
Rent	2,206	4,227	(47.8%)	0.7%	1.2%
Advertising and promotions	1,282	4,520	(71.6%)	0.4%	1.3%
Amortization of right-of-use assets	1,759	1,625	8.2%	0.6%	0.5%
Provision for assessment	602	28,672	(97.9%)	0.2%	8.3%
Fuel and lubricants	181	59	206.8%	0.1%	0.0%
Registration and membership fees	100	274	(63.5%)	0.0%	0.1%
Others	20,107	8,872	126.6%	6.4%	2.6%
Gen. and Admin. Expenses	**314,962**	**344,715**	**(8.6%)**	**100%**	**100%**

Other income (loss), net

Other income (loss), net consists of ship management, insurance claims, gain on reversal of finance lease liability, loss on sale of property and equipment, interest income, foreign exchange gain and loss, provision on construction receivables, cost recharges and non-routine special projects. This account increased by 560.1% amounting to PHP81.9 million from (PHP14.6) million other loss in 2019 to PHP67.3 million other income in 2020.

Operating profit (loss) and operating profit (loss) margin

The Group experienced a growth by 166.7% amounting to PHP264.8 million from (PHP158.8) million operating loss in 2019 to PHP105.9 million operating income in 2020. This is mainly due to increased gross profit, decreased general and administrative expenses and due to other income, net. Operating profit (loss) margin, in like manner, increased from (11.4%) in 2019 to 6.3% in 2020.

Finance cost

The Company incurred finance costs, consisting of interest expense and unrealized foreign exchange loss on borrowings amounting to PHP274.7 million as of December 31,2020, PHP18.1 million higher than PHP256.6 million as of December 31, 2019. The increase is attributable to the accumulation of borrowings throughout the year to support the Group's expansion and diversification activities.

EBITDA

EBITDA (earnings before interests, taxes, depreciation and amortization) is higher by 123.6% from PHP292.8 million in 2019 to PHP654.5 million in 2020. The increase can be attributable to the higher increase in service income, net than increase in cost of services, lower general and administrative expenses and other income.

Net profit (loss) and net profit (loss) margin

The Group experienced a growth by 77.4% amounting to PHP291.3 million from (PHP376.3) million net loss for the year ended 31 December 2019 to (PHP84.9) million net loss for the year ended 31 December 2020 due mainly to higher increase in service income, net than increase in cost of services, lower general and administrative expenses and other income. The ratio of consolidated net income to consolidated service income, net stood at (5.0%) and (27.0%) in 2020 and 2019, respectively.

Material Changes to the Statements of Financial Position as of 31 December 2020 Compared to the Statements of Financial Position as of 31 December 2019

Cash and cash equivalents

The account increased by 174.0% amounting to PHP173.0 million from PHP99.4 million in 2019 to PHP272.5 million in 2020 mainly due to proceeds from borrowings, proceeds from disposal of property, plant and equipment and revenue received from the operations.

Trade and other receivables, net

The account increased by 34.4% amounting to PHP190.0 million from PHP552.9 million in 2019 to PHP743.0 million in 2020 mainly due to energy supply receivable which are not yet collected during the year.

Advances to a related party

The account decreased by 100% amounting to PHP553,165 from PHP553,165 in 2019 to PHP0 in 2020 due to impairment as it is determined to be uncollectible.

Prepayments and other current assets

The account decreased by 45.5% amounting to PHP248.8 million from PHP546.8 million in 2019 to PHP298.1 million in 2020 mainly due to collection of advances to contractors.

Property, plant and equipment at cost, net

The account decreased by 8.2% amounting to PHP207.3 million from PHP2,539.3 million in 2019 to PHP2,332.0 million in 2020 mainly due to depreciation of solar power plant.

Right-of-use assets, net

The account decreased by 43.5% amounting to PHP60.2 million from PHP138.2 million in 2019 to PHP78.1 million in 2020 mainly due to amortization and reclassification.

Investment in associates

The account increased by 70.0% amounting to PHP81.5 million from PHP116.5 million in 2019 to PHP198.0 million in 2020 mainly due to recognition of share in net income from the associates.

Deferred income tax assets, net

The account increased by 38.1% amounting to PHP9.3 million from PHP24.5 million in 2019 to PHP33.8 million in 2020 mainly due to higher deferred tax assets than deferred tax liabilities brought about by retirement benefit obligation, allowance for impairment of receivables, provision of service discounts and others.

Trade and other payables

The account increased by 14.0% amounting to PHP58.2 million from PHP416.7 million in 2019 to PHP474.9 million in 2020 mainly due to increase in accrued interest on interest bearing loans, accrued construction costs in relation to unliquidated expenses of construction projects employees.

Borrowings, current portion

The account increased by 12.0% amounting to PHP246.5 million from PHP2,045.9 million in 2019 to PHP2,292.3 million in 2020 mainly due to obtained loans from CTBC during the year for working capital purposes.

Lease liabilities, current portion

The account decreased by 70.3% amounting to PHP12.0 million from PHP17.0 million in 2019 to PHP5.0 million in 2020 mainly due to lease payments and modifications.

Income tax payable

The Group has recognized income tax payable during 2020 amounting PHP315,421.

Trade payables, net of current portion

The account decreased by 25.5% amounting to PHP4.0 million from PHP15.7 million in 2019 to PHP11.7 million in 2020 mainly due to payment for accrued construction cost, fuel, provisions and accrued interest payable on long-term loans.

Non-current portion of loans payable

The account decreased by 79.1% amounting to PHP261,906 from PHP331,195 in 2019 to PHP69,289 in 2020 mainly due to payment for loans for working capital.

Borrowings, net of current portion

The account decreased by 23.8% amounting to PHP406.9 million from PHP1,707.2 million in 2019 to PHP1,300.4 million in 2020 mainly due to payment for borrowings for working capital.

Lease liabilities, net of current portion

The account decreased by 52.4% amounting to PHP39.2 million from PHP74.7 million in 2019 to PHP35.6 million in 2020 mainly due to lease payment and modifications.

Retirement benefits obligation

The account decreased by 11.5% amounting to PHP9.2 million from PHP80.2 million in 2019 to PHP70.9 million in 2020 due to amortization of revaluation increment through depreciation and deferred income tax liability.

Revaluation surplus, net of tax

The account decreased by 11.5% amounting to PHP9.2 million from PHP80.2 million in 2019 to PHP70.9 million in 2020 due to amortization of revaluation increment through depreciation and deferred income tax liability.

Retained Earnings

The account decreased by 48.3% amounting to PHP88.0 million from PHP181.9 million in 2019 to PHP94.0 million in 2020 mainly due to loss incurred by the Group during the year.

Comparison of Operating Results for the Years Ended 31 December 2019 vs. 31 December

Service Income

The breakdown of service income is presented as follows:

Table 9: Service Income Breakdown December 2019 vs. December 2018

In PHP thousands	**December 2019**	**December 2018**	**% Increase (Decrease)**	**December 2019 % Contribution**	**December 2018 % Contribution**
Harbor assistance*	1,054,401	971,874	8.5%	75.5%	67.6%
Revenue on generation of solar power	107,143	-	100%	7.7%	-
Lighterage services	103,338	127,300	(18.8%)	7.4%	8.9%
Towing services	36,927	19,023	94.1%	2.6%	1.3%
Salvage income	31,856	210,095	(84.8%)	2.3%	14.6%
Others	62,390	108,676	(42.6%)	4.5%	7.6%
Service Income	**1,396,055**	**1,436,968**	**(2.8%)**	**100%**	**100%**

**Net of service discount, which refers to discounts given to client for Harbor assistance service only.*

The Group's Consolidated service income deteriorated by 2.8% amounting to PHP40.9 million from PHP1,437.0 million to PHP1,396.1 million as of 31 December 2018 and 2019, respectively.

Major positive contributor is the harbor assistance which grew from PHP971.0 million as of 31 December 2018 to PHP1,054.4 million as of 31 December 2019. Revenue on generation of solar power contributed P107.1 million during the year as the commercial operation of solar power plant started on 27 July 2019. Towing services also provided revenue inflow of PHP36.9 million, a PHP17.9 million increase from PHP19.0 million for the same period of 2018.

Lighterage services decreased by 18.8% amounting to PHP24.0 million from PHP127.3 million as of 31 December 2018 to only PHP103.3 million as of 31 December 2019. Salvage income declined by 84.8% amounting to PHP178.2 million from PHP210.1 million as of 31 December 2018 to only PHP31.9 million as of 31 December 2019. The decline is something that could not be controlled as the service is fortuitous in nature. Other marine services also contributed to the decline of the service income as it dropped by 42.6% amounting to PHP46.3 million from PHP108.7 million as of 31 December 2018 to only PHP62.4 million as of 31 December 2019.

Subsidiaries, such as ASTRONERGY Development Gensan, Inc., Peak Flag Sdn. Bhd and Harbor Star Subic Corp., contributed to the Group's revenue as of 31 December 2019 amounted to PHP107.1 million, PHP79.5 million and PHP35.3 million, respectively. As of 31 December 2018, Peak Flag Sdn. Bhd and Harbor Star Subic Corp., contributed to the Group's revenue amounted to PHP61.0 million and PHP22.7 million, respectively.

Cost of services

The Group's cost of services increased by 16.9% amounting to PHP160.4 from PHP951.0 million in 2018 to PHP1,111.4 million in 2019. The increase was mainly due to higher depreciation and amortization, charter hire, rent, port expense, communication, light and water and fuel charges brought about by additional manpower requirement for the additional vessels acquired and the surge of fuel cost per liter, respectively. Insurance, likewise contributed to the rose in cost of services relative to additional vessels covered.

Below presents the breakdown of the cost of services.

Table 10: Cost of Services Breakdown December 2019 vs. December 2018

In PHP thousands	**December 2019**	**December 2018**	**% Increase (Decrease)**	**December 2019 % Contribution**	**December 2018 % Contribution**
Depreciation and amortization	394,759	266,600	48.1%	35.5%	28.0%
Personnel costs	214,258	211,024	1.5%	19.3%	22.2%
Fuel and lubricants	211,362	199,458	6.0%	19.0%	21.0%
Insurance	53,390	48,940	9.1%	4.8%	5.1%
Outside services	40,420	64,614	(37.4%)	3.6%	6.8%
Charter hire	32,568	6,267	419.7%	2.9%	0.7%
Rent	24,740	5,078	387.2%	2.2%	0.5%
Supplies and construction supplies	24,210	60,924	(60.3%)	2.2%	6.4%
Port expense	20,509	12,199	68.1%	1.8%	1.3%
Amortization right-of-use asset	17,504	-	100.0%	1.6%	-
Repairs and maintenance	15,985	17,582	(9.1%)	1.4%	1.8%
Transportation and travel	8,162	10,661	(23.4%)	0.7%	1.1%
Communication, light and water	4,396	2,977	47.7%	0.4%	0.3%
Professional fees	4,122	11,449	(64.0%)	0.4%	1.2%
Taxes and licenses	2,814	3,464	(18.8%)	0.3%	0.4%
Others	42,222	29,730	42.0%	3.8%	3.1%
Cost of Services	**1,111,421**	**950,967**	**16.9%**	**100%**	**100%**

Gross profit and gross profit margin

The Group's gross profit is lower by 41.4% amounting to PHP201.4 million from PHP486.0 million in 2018 to PHP284.6 million in 2019, primarily due to the decreased service income, net and increased cost of services. Consequently, gross profit margin is lower at 20.4% in 2019 from 33.8% in 2018.

General and administrative expenses

The Group's general and administrative expenses increased by 24.6% amounting to PHP68.1 million from PHP276.6 million in 2018 to PHP344.7 million in 2019. This was mainly due to personnel costs, taxes and licenses, provision for assessment, professional fees, representation and entertainment, provision for impairment of input VAT, insurance, write-off of receivable, amortizations of right-of-use assets and computer software and others.

Below presents the breakdown of the general and administrative expenses.

Table 11: General and Administrative Expenses Breakdown
December 2019 vs. December 2018

In PHP thousands	**December 2019**	**December 2018**	**% Increase (Decrease)**	**December 2019 % Contribution**	**December 2018 % Contribution**
Personnel costs	112,852	104,682	7.8%	32.7%	37.8%
Transportation and travel	37,097	40,397	(8.2%)	10.8%	14.6%
Taxes and licenses	34,950	21,464	62.8%	10.1%	7.8%
Provision for assessment	28,672	-	100.0%	8.3%	-
Professional fees	24,079	16,800	43.3%	7.0%	6.1%
Depreciation and amortization	22,097	23,736	(6.9%)	6.4%	8.6%
Representation and entertainment	20,330	14,896	36.5%	5.9%	5.4%
Provision for impairment of input VAT	9,058	6,471	40.0%	2.6%	2.3%
Insurance	5,909	1,501	293.8%	1.7%	0.5%
Outsourced services	5,892	6,574	(10.4%)	1.7%	2.4%
Write-off of receivable	5,534	-	100.0%	1.6%	-
Supplies and construction supplies	5,436	5,280	3.0%	1.6%	1.9%
Communications	5,319	7,322	(27.4%)	1.5%	2.6%
Advertising and promotions	4,520	9,572	(52.8%)	1.3%	3.5%
Rent	4,227	5,062	(16.5%)	1.2%	1.8%
Repairs and maintenance	3,955	3,098	27.7%	1.1%	1.1%
Utilities	2,631	2,213	18.9%	0.8%	0.8%
Amortization of right-of-use assets	1,625	-	100.0%	0.5%	-
Amortization of computer software	1,327	-	100.0%	0.4%	-
Registration and membership fees	274	500	(45.2%)	0.1%	0.2%
Fuel and lubricants	59	3,479	(98.3%)	0.0%	1.2%
Others	8,872	3,539	150.7%	2.6%	1.2%
Gen. and Admin. Expenses	**344,715**	**276,586**	**24.6%**	**100%**	**100%**

Other income (loss), net

Other income (loss), net consists of ship management, insurance claims, gain on reversal of finance lease liability, loss on sale of property and equipment, interest income, foreign exchange gain and loss, provision on construction receivables, cost recharges and non-routine special projects. This account decreased by 127.4% amounting to PHP68.1 million from PHP53.4 million other income in 2018 to (PHP14.6) million other loss.

Operating profit (loss) and operating profit (loss) margin

The Group experienced a decline by 162.3% amounting to PHP413.7 million from PHP254.9 million operating income in 2018 to (PHP158.8) million operating loss in 2019. This was mainly due to decreased gross profit, increased general and administrative expenses and due to other loss, net. Operating profit (loss) margin, in like manner, declined from 17.7% in 2018 to (11.4%) in 2019.

Finance cost

The Company incurred finance costs, consisting of interest expense and unrealized foreign exchange loss on borrowings amounting to PHP256.6 million as of 31 December 2019, PHP154.2 million higher than PHP102.4 million as of 31 December 2018. The increase is attributable to the accumulation of borrowings throughout the year to support the Group's expansion and diversification activities.

EBITDA

EBITDA (earnings before interests, taxes, depreciation and amortization) was lower by 46.6% from PHP548.3 million in 2018 to PHP292.8 million in 2019. The decrease can be attributable to the lower service income, net, higher cost of service, higher general and administrative expenses and other loss.

Net profit (loss) and net profit (loss) margin

The Group experienced a decline by 451.9% amounting to PHP483.2 million from PHP106.9 million net profit for the year ended 31 December 2018 to (PHP376.3) million net loss for the year ended 31 December 2018 due mainly to lower service income, net, higher cost of service, higher general and administrative expenses and other loss. The ratio of consolidated net income to consolidated service income, net stood at (27.0%) and 7.4% in 2019 and 2018, respectively.

Material Changes to the Statements of Financial Position as of 31 December 2019 Compared to the Statements of Financial Position as of 31 December 2018

Cash and cash equivalents

The account decreased by 68.6% amounting to PHP217.2 million from PHP316.6 million in 2018 to PHP99.4 million in 2019 due to higher funds were used in investing activities such as acquisition and set-up of subsidiaries, acquisition of two (2) tugs and two (2) barges, and infusion to solar energy's pre-development cost.

Trade and other receivables, net

The account increased by 2.7% amounting to PHP14.7 million from PHP538.2 million in 2018 to PHP552.9 million in 2019 mainly due to advances to officers, employees and others.

Prepayments and other current assets

The account increased by 61.1% amounting to PHP207.3 million from PHP339.5 million in 2018 to PHP546.8 million in 2019 primarily due to advances to suppliers which consist of advances payment to be performed within 12 months.
Property and equipment at revalued amounts, net

The account decreased by 2.4% amounting to PHP39.8 million from PHP1,649.1 million in 2018 to PHP1,609.3 million in 2019 mainly due to depreciation.

Property, plant and equipment at cost, net

The account increased by 330.1% amounting to PHP1,948.9 million from PHP590.4 million in 2018 to PHP2,539.3 million in 2019 mainly due to acquisition of diving and oil spill and capitalization of solar power plant.

Pre-development Cost

The account decreased by 100% amounting to PHP1,064.6 million from PHP1.064.6 million in 2018 to PHP0 in 2019 due to reclassification to Property, plant and equipment, net account.

Right-of-use assets, net

The account increased by 100% amounting to PHP138.2 million from PHP0 in 2018 to PHP138.2 million in 2019 due to adoption of PFRS 16 for leased assets such as office space and warehouse, barge and land.

Investment in associates

The account increased by 15.5% amounting to PHP15.6 million from PHP100.9 million in 2018 to PHP116.5 million in 2019 mainly due to recognition of share in net income from the associates.

Deferred income tax assets, net

The account increased by 100% amounting to PHP24.5 million from PHP0 in 2018 to PHP24.5 million in 2019 mainly due higher deferred tax assets than deferred tax liabilities brought about by retirement benefit obligation, allowance for impairment of receivables, provision of service discounts and others.

Other noncurrent assets, net

The account increased by 12.0% amounting to PHP30.8 million from PHP256.6 million in 2018 to PHP287.4 million in 2019 primarily due to higher input VAT than output VAT.

Trade and other payables

The account increased by 22.4% amounting to PHP76.3 million from PHP340.4 million in 2018 to PHP416.7 million in 2019 primarily due to accrued construction cost, accrued fuel, provisions and accrued interest payable on long-term loans.

Short-term loans

The account increased by 7.5% amounting to PHP34.8 million from PHP465.0 million in 2018 to PHP499.8 million in 2019 In 2018 mainly due acquisition of loans for operations.

Borrowings, current portion

The account increased by 38.4% amounting to PHP567.6 million from PHP1,478.3 million in 2018 to PHP2,045.9 million in 2019 primarily due to additional loans availed from various banks for financing for solar power plant and for acquisition of water assets necessary for operations.

Lease liabilities, current portion

The account increased by 100% amounting to PHP17.0 million from PHP0 in 2018 to PHP17.0 million in 2019 due to adoption of PFRS 16 for leased assets such as office space and warehouse, barge and land.

Finance lease liability, current portion

The account decreased by 100% amounting to PHP3.8 million from PHP3.8 million in 2018 to PHP0 in 2019 due to reclassification of the account to lease liabilities, current portion in connection to adoption of PFRS 16 for leased assets such as office space and warehouse, barge and land.

Income tax payable

The Group has no income tax payable in 2019 as the deferred income tax benefit recognized is higher than current income tax expense.

Trade payables, net of current portion

The account increased by 100% amounting to PHP15.7 million from PHP0 in 2018 to PHP15.7 million in 2019 due to classification of trade payables with maturity terms of more than one year for construction cost, fuel, provisions and accrued interest payable on long-term loans

Non-current portion of loans payable

The account increased by 100% amounting to PPH331,195 from PHP0 in 2018 to PHP331,195 in 2019 due to classification of loans with maturity terms of more than one year for operations.

Borrowings, net of current portion

The account increased by 72.3% amounting to PHP716.3 million from PHP991.0 million in 2018 to PHP1,707.2 million in 2019 due to classification of borrowings with maturity terms of more than one year for financing for solar power plant and for acquisition of water assets necessary for operations.

Lease liabilities, net of current portion

The account increased by 100% amounting to PHP74.7 million from PHP0 in 2018 to PHP74.7 million in 2019 due to classification of lease liabilities with maturity terms of more than one year in connection to adoption of PFRS 16 for leased assets such as office space and warehouse, barge and land.

Finance lease liability, net of current portion

The account decreased by 100% amounting to PHP23.3 million from PHP23.3 million in 2018 to PHP0 in 2019 due to reclassification of the account to lease liabilities, current portion in connection to adoption of PFRS 16 for leased assets such as office space and warehouse, barge and land.

Deferred income tax liabilities, net

The account decreased by 100% amounting to PHP10.3 million from PHP10.3 million in 2018 to PHP0 in 2019 due to the offsetting of deferred income tax assets and liabilities wherein deferred tax assets are higher than deferred tax liabilities brought about by retirement benefit obligation, allowance for impairment of receivables, provision of service discounts and others.

Retirement benefits obligation

The account increased by 36.7% amounting to PHP30.5 from PHP83.1 million in 2018 to PHP113.6 million in 2019 due to the yearly provision for retirement and corresponding interest cost thereon coupled with the re-measurement loss due to experience adjustments based on the latest independent actuarial report.

Revaluation surplus, net of tax

The account decreased by 18.8% amounting to PHP18.5 million from PHP98.7 million in 2018 to PHP80.2 million due to amortization of revaluation increment through depreciation and deferred income tax liability.

Treasury Stock

The account increased by 246.6% amounting to PHP26.7 million from PHP10.9 million in 2018 to PHP37.6 million in 2019 due to the buyback of 9,305,000 shares.

Retained Earnings

The account decreased by 66.8% amounting to PHP366.7 million from PHP548.6 million in 2018 to PHP181.9 million in 2019 primarily due to lower service income, net, higher cost of service, higher general and administrative expenses and other loss.

Key Performance Indicators

The Company uses the following measures to assess its performance from period to period.

Table 12: Key Performance Indicators

	2021	**2020**	**2019**
Revenue Growth	13.5%	20.5%	(2.8%)
Gross Profit Margin	28.4%	27.0%	20.4%
EBITDA Margin	28.5%	38.9%	21.0%
Net Income Margin	(8.3%)	(5.0%)	(27.0%)
Return on Asset	(2.5%)	(1.4%)	(6.1%)
Return on Equity	(12.6%)	(7.4%)	(30.2%)
Current Ratio	0.05	0.40	0.40
Debt-to-Equity Ratio	3.93	3.99	3.81

- Revenue growth measures the percentage change in revenues for a given period
- Gross profit margin pertains to the ratio of gross profit to revenues. This reflects the profitability of the Group’s core business
- EBITDA margin pertains to the ratio of EBITDA to revenues. This reflects the operating profitability of the Group
- Net income margin pertains to the ratio of net income after tax to revenues. This reflects the Group’s overall profitability

- Return on Asset pertains to the ratio of the Group's net income to total assets. This measures the Group's ability to generate returns on its assets
- Return on Equity pertains to the ratio of the Group's net income to total equity. This measures the Group's ability to generate returns on its stockholders' equity
- Current ratio is the ratio of the Group's total current assets to total current liabilities. This reflects the Group's liquidity
- Debt-to-equity ratio is the ratio of the Group's total debt to total stockholders' equity. This reflects the degree to which the Group is financing its operations through debt versus wholly-owned funds.

Liquidity

The table below shows the Group's cash flows for the years ended 31 December 2021, 2020 and 2019:

Table 13: Cash Flows

In PHP thousands,	**2021**	**2020**	**2019**	**% Change *2021 vs 2020***	**% Change *2020 vs 2019***
Net cash provided by operating activities	618,680	756,876	1,110,195	(18.3%)	(31.8%)
Net cash flow used in investing activities	(231,171)	(226,449)	(2,302,051)	2.1%	(90.2%)
Net cash provided by (used in) financing activities	(396,045)	(357,211)	976,093	10.9%	(136.6%)
EFFECTS OF EXCHANGE RATE CHANGES IN CASH	17	(183)	(1,348)	(109.3%)	(86.4%)
NET INCREASE (DECREASE) IN CASH	(8,519)	173,033	(217,111)	(104.9%)	(179.7%)
CASH AT BEGINNING OF THE YEAR	272,482	99,450	316,561	174.0%	(68.6%)
CASH AT THE END OF THE YEAR	**263,963**	**272,482**	**99,450**	**(3.1%)**	**174.0%**

Cash and cash equivalents decreased by 3.1% amounting to PHP8.5 million from PHP272.5 million in 2020 to PHP264.0 million in 2021 mainly due to acquisition of property, plant and equipment, software, investment properties, payment of borrowings and payment of lease liabilities.

Capital Resources

The table below illustrates the Group's capital sources as of 31 December 2021, 2020 and 2019:

Table 14: Capital Sources

In PHP thousands	December 31, 2021	December 31, 2020	December 31, 2019	% Change *2021* vs *2020*	% Change 2020 vs *2019*
Trade and other payables	654,030	486,650	432,431	12.5%	12.5%
Short-term loans	522,272	498,000	499,750	(0.4%)	(0.4%)
Borrowings	3,571,166	3,592,691	3,753,097	(4.3%)	(4.3%)
Lease liabilities	38,603	40,633	91,762	(55.7%)	(55.7%)
Total debt	4,786,071	4,617,974	4,777,040	(3.3%)	(3.3%)
Share capital	907,858	907,858	907,858	-	-
Additional paid-in-capital	121,633	121,633	121,633	-	-
Retained earnings (Deficit) attributable to the owners of the Parent Company	(32,195)	93,972	181,934	(48.3%)	(48.3%)

Fair value reserve on financial assets at fair value through other comprehensive income	(160)	(160)	(160)	-	-
Treasury stock	(37,615)	(37,615)	(37,615)	-	-
Revaluation surplus, net of tax	286,743	70,904	80,153	11.5%	11.5%
Total Equity	1,246,264	1,156,591	1,253,803	(7.8%)	(7.8%)
Total	6,032,335	**5,774,565**	**6,030,843**	**(4.2%)**	**(4.2%)**

Capital is a critical component of running a business from day to day and financing its future growth. Business capital may derive from the operations of the business or be raised from debt or equity financing.

Trends, Events, or Uncertainties Affecting Recurring Revenues and Profits

The Group is exposed to a number of trends, events and uncertainties which can affect its recurring revenues and profits. These include levels of general economic activity and containerized trade volume in countries where it operates, as well as certain cost items, such as labor, fuel and power. In addition, the Group operates in a number of jurisdictions other than the Philippines and collects revenues in various currencies. Continued appreciation of the US dollar relative to other major currencies, particularly the Philippine peso, may have a negative impact on the Group's reported levels of revenues and profits.

The COVID-19 pandemic may also affect the operations of the Group.

Risks

The group's diverse operations expose the group to various risks such as market risks, credit and liquidity which movements may materially impact the financial results of the group. The importance of managing these risks has significantly increased in light of the heightened volatility in both the Philippine and international financial markets. With a view to managing these risks, the group has incorporated a financial risk management function in its organization.

3. FINANCIAL STATEMENTS

Please see Annex "A".

4. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

There were no changes or disagreements with Harbor Star's external auditors, Isla Lipana & Co., a member firm of PwC network, on accounting and financial statement disclosures.

5. MARKET PRICE OF AND DIVIDENDS ON REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

5.1 Market Information

Harbor Star's share was listed in the Philippine Stock Exchange on 30 October 2013. The Company's common stock is traded in the PSE under the stock symbol "TUGS". As of the latest practicable trading date on 31 March 2022, the share prices of the Company were:

	Price/Common Share *(in Philippine Peso)*
Opening :	0.72
High :	0.73
Low :	0.69
Closing :	0.71

The high and low share prices for 2019, 2020, 2021 and first quarter of 2022 are indicated below:

	Price/Common Share *(in Philippine Peso)*	
Calendar Period	**High**	**Low**
2022		
1st Quarter	0.91	0.68
2021		
4th Quarter	1.07	0.82
3rd Quarter	1.29	1.01
2nd Quarter	1.38	1.12
1st Quarter	1.97	1.05
2020		
4th Quarter	1.85	1.50
3rd Quarter	1.19	0.90
2nd Quarter	0.94	0.81
1st Quarter	1.04	0.61
2019		
4th Quarter	1.68	1.54
3rd Quarter	2.26	1.50
2nd Quarter	3.12	3.01
1st Quarter	3.34	2.69

As of 31 March 2022, Harbor Star's public float is 32.12%.

5.2 Holders

The number of stockholders of record as of the latest practicable date on 31 March 2022 was seventeen (17). Common shares outstanding as of the same date were Nine Hundred Seven Million Eight Hundred Fifty Seven Thousand Eight Hundred Seventy (907,857,870) shares [inclusive of Thirteen Million Two Hundred Seventy One (13,271,000) Treasury shares].

The following are the Company's registered common stockholders as of 31 March 2022:

Registered Stockholders
As of 31 March 2022

	NAME	NUMBER OF SHARES HELD	% OF TOTAL
1	PCD Nominee Corporation (Filipino)	751,343,312	83.99%
2	PCD Nominee Corporation (Non-Filipino)	59,357,570	6.64%
3	Bella Jr., Geronimo P.	42,000,000	4.69%
4	Bella, Ricardo Rodrigo P.	41,553,487	4.64%
5	Maria Elizabeth Jean E. Bella	225,000	Less than 1.0%

6	Galicia, Filomena G.	30,000	Less than 1.0%
7	Villanueva, Myra P.	20,000	Less than 1.0%
8	Villanueva, Milagros P.	19,000	Less than 1.0%
9	Villanueva, Myrna P.	9,000	Less than 1.0%
10	Cabreza, Marietta V.	9,000	Less than 1.0%
11	Cabreza, Juan Carlos V.	9,000	Less than 1.0%
12	Herrera, Joselito C.	3,000	Less than 1.0%
13	Tacub, Felicitas F.	3,000	Less than 1.0%
14	Soliven, Stephen G.	2,500	Less than 1.0%
15	Reiterer, Alfred	1,500	Less than 1.0%
16	Valencia, Jesus San Luis	1,500	Less than 1.0%
17	Bautista, Joselito T.	1	Less than 1.0%

5.3 Dividends

The Company's dividend policy empowers its Board of Directors to declare at least 20.0% of the Company's prior year's net income as dividends, whether in stock or in cash or a combination of both, payable out of its unrestricted retained earnings and at such time as the Board may deem proper. No dividend shall be declared that will impair the capital stock of the Company.

5.3.1 Stock Dividends

On 12 December 2016, the Company's Board of Directors declared stock dividends of 50.0% equivalent to Three Hundred Two Million Six Hundred Nineteen Thousand Two Hundred Ninety (302,619,290) shares with an aggregate par value of Three Hundred Two Million Six Hundred Nineteen Thousand Two Hundred Ninety Pesos (PHP302,619,290.00) in favor of the Corporation's common stockholders based on the record date to be set by the Securities and Exchange Commission and paid in full out of the Corporation's unrestricted retained earnings of PHP548,068,580.00 as of 31 December 2015 based on its Audited Financial Statements for the fiscal year ending 31 December 2015.

The stock dividends were issued from the increase of the Company's authorized capital stock from One Billion Five Hundred Million Pesos (PHP1,500,000,000.00) to Two Billion Pesos (PHP2,000,000,000.00). On 6 March 2017, the stockholders of the Corporation ratified the Board's stock dividend declaration. On 5 September 2017, the Company issued the Three Hundred Two Million Six Hundred Nineteen Thousand Two Hundred Ninety (302,619,290) common shares with a par value of One Peso (PHP1.00) per share, as stock dividends to stockholders of record as of 19 September 2017. On 13 October 2017, the stock dividends were listed in the Philippine Stock Exchange.

5.3.2 Cash Dividends

No cash dividends have been declared in the last three (3) years.

5.4 Recent Sales of Unregistered or Exempt Securities, Including Recent Issuance of Securities Constituting an Exempt Transaction

Within the past three (3) years, there has been no sale of the Company's securities which were not registered under the Securities Regulations Code.

On 4 August 2017, the Securities and Exchange Commission issued a Certificate of Filing of Amended Articles of Incorporation approving the amendment to the Seventh Article of the Incorporation of TUGS to increase its authorized capital stock from One Billion Five Hundred Million Pesos

(PHP1,500,000,000.00) consisting of One Billion Five Hundred Million (1,500,000,000) shares with a par value of One Peso (PHP1.00) per share to Two Billion Pesos (PHP2,000,000,000.00) consisting of Two Billion (2,000,000,000) shares with a par value of One Peso (P1.00) per share.

6. DIRECTORS AND EXECUTIVE OFFICERS

The Board of Directors of the Company consists of seven (7) members. The Board is responsible for the overall management and supervision of the Company. The term of office of the directors of the Company is one (1) year and they are to serve as such until the election and qualification of their successors.

The Executive Officers of the Company cooperate with the Board of Directors by preparing appropriate information and documents concerning the Company's business operations, financial condition and results of its operations for the review of the Board. The Executive Officers are appointed annually by the Board of Directors at its first meeting following the Annual Meeting of Stockholders, each to hold office until the corresponding meeting of the Board of Directors in the next year or until a successor shall have been appointed or shall have qualified.

The incumbent directors, including independent directors and officers of the Company, with their corresponding ages and citizenships are the following:

NAME	AGE	CITIZENSHIP	POSITION	YEAR APPOINTED
Geronimo P. Bella, Jr.	62	Filipino	Chairman/President	2006
Ricardo Rodrigo P. Bella	56	Filipino	Executive Director/Vice President	2006
Ceasar Daniel T. Castro	47	Filipino	Director	2021
Ramon C. Liwag	66	Filipino	Director	2017
Ryota Nagata	57	Japanese	Director	2011
Gene S. De Guzman	60	Filipino	Independent Director	2020
Gemma V. Sadiua	56	Filipino	Independent Director	2020
Ignatius Loyola A. Rodriguez	52	Filipino	Corporate Secretary	2000
Dany Cleo B. Uson	60	Filipino	Treasurer, Chief Finance Officer and Compliance Officer	2020
Lorenzo C. Caranzo	55	Filipino	Operations Division Head	2018
Emmanuel L. Falcunit	43	Filipino	Operations Manager – Fleet Operations	2018
Rudiardo L. Arcellana	58	Filipino	Operations Manager – Salvage, Towage, Lighterage & Special Projects	2016
Jay-R L. Castillo	36	Filipino	QHSE Manager	2016
Edwin G. Amejana	57	Filipino	Commercial Manager	2008
Virginia May P. Bella	48	Filipino	Legal Services Manager	2008
Elionarda L. Refil	53	Filipino	General Services Manager	2009
Adolfo R. Isanan	50	Filipino	Accounting Manager	2020

NAME	AGE	CITIZENSHIP	POSITION	YEAR APPOINTED
Effel T. Santillan	45	Filipino	Human Resource Manager	2014
Maria Elizabeth Jean E. Bella	33	Filipino	Procurement Manager	2019
Ryan L. Orila	44	Filipino	ICT Manager	2018
Ronaldo C. Samong	52	Filipino	Business Development Manager for Visayas & Mindanao	2019
Marvin William Trinidad	43	Filipino	Sales & Marketing Manager	2020
Elisalde M. Fantillo	50	Filipino	Engineering & Maintenance Officer-in-Charge	2020
Edith P. Parro	42	Filipino	Admin Officer-in-Charge	2020
Marlon D. Dabu	40	Filipino	Audit Officer-in-Charge	2021

Please see Item 5. Directors and Executive Officers of the Company's Information Statement on SEC Form 20-IS for the business experience of the Company's directors and officers during the past five (5) years.

7. CORPORATE GOVERNANCE

Please see Corporate Governance on SEC Form 20-IS for discussion on compliance with leading practices on Corporate Governance.

UPON THE WRITTEN REQUEST OF THE STOCKHOLDER, THE COMPANY UNDERTAKES TO FURNISH SECURITY HOLDERS WITHOUT CHARGE, AND UPON THEIR WRITTEN REQUEST, A COPY OF THE COMPANY'S INTERIM FINANCIAL STATEMENTS (SEC FORM 17-Q) AS OF 31 MARCH 2022 AND ITS CORRESPONDING MANAGEMENT'S DISCUSSION AND ANALYSIS AND/OR ANNUAL REPORT (SEC FORM 17-A). COPIES OF OTHER EXHIBITS MAY BE PROVIDED UPON WRITTEN REQUEST AND UPON THE PAYMENT OF NOMINAL CHARGES TO DEFRAY ADMINISTRATIVE COSTS AND EXPENSES SUBJECT TO CONDITIONS AS THE BOARD OF DIRECTORS MAY PROMULGATE.

SUCH WRITTEN REQUEST FOR A COPY OF SEC FORM 17-Q AS OF 31 MARCH 2022 AND ITS CORRESPONDING MANAGEMENT'S DISCUSSION AND ANALYSIS AND/OR SEC FROM 17-A SHALL BE DIRECTED TO: MR. IGNATIUS A. RODRIGUEZ, CORPORATE INFORMATION OFFICER, 2224 A. BONIFACIO ST., CORNER PRES. SERGIO OSMEÑA HIGHWAY, BRGY. BANGKAL, MAKATI CITY, PHILIPPINES 1233.

ALL STOCKHOLDERS OF RECORD AND THOSE ACTING AS FIDUCIARIES, NOMINEES, TRUSTEES OR SIMILAR CAPACITIES IN BEHALF OF BENEFICIAL OWNERS WHO ARE NOT OF RECORD, MAY ALSO REQUEST IN WRITING TO THE PERSON AND AT THE ADDRESS PROVIDED ABOVE, AS MANY COPIES OF THIS INFORMATION STATEMENT, SEC FORM 17-Q AS OF 31 MARCH 2022 AND ITS CORRESPONDING MANAGEMENT'S DISCUSSION AND ANALYSIS AND/OR SEC FORM 17-A FOR DISTRIBUTION TO SUCH BENEFICIAL OWNERS, AND UPON RECEIPT OF SUCH WRITTEN REQUEST, THE COMPANY UNDERTAKES TO SUPPLY THE REQUESTED MATERIAL IN A TIMELY MANNER.

SIGNATURES

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

HARBOR STAR SHIPPING SERVICES, INC.
Issuer

By:

Date: 30 May 2022

IGNATIUS LOYOLA A. RODRIGUEZ
Corporate Information Officer/
Corporate Secretary

SECRETARY'S CERTIFICATE

I, **IGNATIUS A. RODRIGUEZ**, of legal age, married, a resident of #1 San Pedro Street, Kapitolyo, Pasig, being duly sworn, depose and state that:

1. I am the duly elected and qualified Corporate Secretary of **HARBOR STAR SHIPPING SERVICES, INC.,** (the "Corporation"), a corporation duly organized and existing under and by virtue of the Republic of the Philippines, with principal office address at No. 2224 A. Bonifacio Street corner South Superhighway Bangkal, Makati City.

2. I hereby certify that none of Directors and Officers of the Corporation work for the government of the Republic of the Philippines.

3. The foregoing is in accordance with the records of the Corporation in my possession.

IN WITNESS WHEREOF, I have hereunto affixed my signature this 30th day of May 2022 at Makati City.

IGNATIUS A. RODRIGUEZ
Corporate Secretary

REPUBLIC OF THE PHILIPPINES)
MAKATI CITY) S.S.

SUBSCRIBED AND SWORN to before me this 30th day of May 2022 in Makati City, affiant exhibiting to me his Passport No. P0919082B issued on 05 March 2019 at DFA Manila.

Doc. No. 270;
Page No. 55;
Book No. II;
Series of 2022.

ATTY. VINCE ALVIN L. MONTEALTO
NOTARY PUBLIC
ROLL NO. 73406
MAKATI CITY, PHILIPPINES

VINCE ALVIN L. MONTEALTO
Notary Public for Makati City
Appointment No. M-174
Extended until 30 June 2022
(PER SUPREME COURT EN BANC RESOLUTION DATED SEPTEMBER 28, 2021 PURSUANT TO B.M. NO. 3795)
5/F SGV II Building,
6758 Ayala Avenue, Makati City
Roll of Attorneys No. 73406
PTR No. 8855040 / Makati / 04 January 2022
IBP No. 167546 / Makati / 19 November 2021

SECURITIES AND EXCHANGE COMMISSION
Secretariat Building, PICC Complex, Roxas Boulevard, Pasay City, 1307 Metro Manila Philippines
Tel: (632) 818-0921 Fax: (632) 818-5293 Email: mis@sec.gov.ph

The following document has been received:

Receiving: Ryan Piramide
Receipt Date and Time: May 20, 2022 04:08:26 PM

Company Information

SEC Registration No.: 0000152897
Company Name: HARBOR STAR SHIPPING SVCS. INC.
Industry Classification: I63200
Company Type: Stock Corporation

Document Information

Document ID: OST1052020228411424
Document Type: Financial Statement
Document Code: FS
Period Covered: December 31, 2021
Submission Type: Consolidated
Remarks: None

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

					1	5	2	8	9	7

GROUP NAME

HARBOR STAR SHIPPING SERVICES, INC. AND ITS SUBSIDIARIES

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

2224 A BONIFACIO ST., COR. PRES. SERGIO OSMENA HIGHWAY, BANGKAL, MAKATI CITY, 1233, PHILIPPINES

Form Type	Department requiring the report	Secondary License Type, if Applicable
AFS	CRR	NA

GROUP INFORMATION

Group's Email Address	Group's Telephone Number/s	Mobile Number
dbuson@harborstar.com.ph	(+632) 8853 1578	NA

No. of Stockholders	Annual Meeting (Month/Day)	Fiscal Year (Month/Day)
		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
Dany Cleo B. Uson	dbuson@harborstar.com.ph	(+632) 8853 1578	NA

CONTACT PERSON's ADDRESS

2224 A. Bonifacio Street corner Pres. Sergio Osmeña Highway, Bangkal, Makati City, 1233, Philippines

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.

FIRST SECTION

Audited Consolidated Financial Statements with
Supplemental Schedules for the
Securities and Exchange Commission
December 31, 2021

TABLE OF CONTENTS

HARBOR STAR
SHIPPING SERVICES, INC.

ISO 9001 • ISO 14001 OHSAS 18001

MEMBER

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

The management of Harbor Star Shipping Services, Inc. and its Subsidiaries is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2021 and 2020, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud of error.

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

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

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

Isla Lipana & Co., the independent auditor, appointed by the stockholders, has audited the financial statements of the Group in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.

MR. GERONIMO P. BELLA JR.
PRESIDENT

MR. RICARDO RODRIGO P. BELLA
VICE PRESIDENT

MR. DANY CLEO B. USON
CHIEF FINANCE OFFICER

Signed this 13th day of May, 2022.

HARBOR STAR
SHIPPING SERVICES, INC.

DNV·GL ISO 9001 • ISO 14001 OHSAS 18001

ISU MEMBER

REPUBLIC OF THE PHILIPPINES)
CITY OF MAKATI) S.S.

SUBSCRIBED AND SWORN TO BEFORE ME, this ______ day of 2 0 MAY 2022, 2022, affiants exhibiting to me the following:

Name	Community Tax Certificate	Date / Place Issued
GERONIMO P. BELLA JR.	# 26777068	05 Jan 2022 / Makati City
RICARDO RODRIGO P. BELLA	# 26777071	05 Jan 2022/ Makati City
DANY CLEO B. USON	# 26777072	05 Jan 2022/ Makati City

Doc. No. 216 ;
Page No. 45 ;
Book No. 3 ;
Series of 2022 .

FLOR ANGELA T. SABAUPAN
Notary Public for Makati City
Appointment No. M-223
Until June 30, 2022 per B.M. No. 3795
Roll of Attorneys No. 62608
PTR No. MKT8892804 / January 31, 2022 / Makati City
IBP Lifetime No. 013018 / PPLM
MCLE Compliance No. VI - 0015638 / December 19, 2018
2224 A. Bonifacio St., corner President
Sergio Osmeña Highway, Bangkal, Makati City

Isla Lipana & Co.

Independent Auditor's Report

To the Board of Directors and Shareholders of
Harbor Star Shipping Services, Inc. and Subsidiaries
2224 A. Bonifacio St., corner Pres. Sergio Osmeña Highway
Bangkal, Makati City

Report on the Audits of Consolidated Financial Statements

Our Opinion

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

What we have audited

The consolidated financial statements of the Group comprise:

- the consolidated statements of financial position as at December 31, 2021 and 2020;
- the consolidated statements of total comprehensive income for each of the three years in the period ended December 31, 2021;
- the consolidated statements of changes in equity for each of the three years in the period ended December 31, 2021;
- the consolidated statements of cash flows for each of the three years in the period ended December 31, 2021; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics), together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics.

Our Audit Approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgments; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Key audit matters

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

Key audit matters identified in our audit pertain to revenue recognition and impairment of goodwill:

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition	
Refer to Notes 15 and 27.24 to the consolidated financial statements for the corresponding details and discussion of the Group's policy on revenue recognition. For the year ended December 31, 2021 the Group has recognized net revenue amounting to P1.9 billion. This is an area of focus due to the Group's various revenue streams that are recognized under different contractual arrangements, which include harbour assistance, lighterage services, salvage income, towing services, construction revenue and energy fees. There is an inherent risk of cut-off across all revenue streams given the Group's centralized accounting function that relies on certain manual systems to process high volume of transactions.	We have addressed this matter by performing controls testing and substantive testing to cover all assertions surrounding revenue which include: • Evaluating and validating controls surrounding revenue recognition; • Assessed the consistency of the application of the revenue recognition policy for the Group's various revenue streams and evaluated compliance with PFRS 15, Revenue from contracts with customers. • Performed test of details of sales transactions; • Performed review of manual adjustments to revenue; • Performed cut-off testing by validating revenue recognized days before and after year-end through inspection of related documents that evidenced the delivery of services rendered; and

Key Audit Matter	How our audit addressed the Key Audit Matter
	• Performed test of subsequent collection of trade receivable balances as at year-end. Our revenue cut-off procedures resulted in an adjustment which was properly taken up in the Group's financial statements as at and for the year ended December 31, 2021.
Impairment of goodwill Refer to Notes 1.2 and 27.3 to the consolidated financial statements for the corresponding details and discussion of Group's policy on goodwill. The Group has an existing goodwill arising from its acquisition of Astronergy Development Gensan Inc., Astronergy Development F1 Inc., and Astronergy Development F2 Inc. in 2017 and 2018. Under PAS 36, Impairment of Assets, the amount of goodwill is required to be tested annually for impairment. This annual impairment test was significant to our audit since the goodwill amounting to P154.2 million as at December 31, 2021 is material to the consolidated financial statements. In addition, management's assessment process is complex and is based on management judgment and assumptions, specifically forecasted revenue growth rate and pre-tax adjusted discount rate, which are affected by expected future market or economic conditions.	Our audit procedures included, among others, using a valuation expert to assist us in evaluating the assumptions and methodologies used in management's valuation. We found the methodology used in valuation to be appropriate and consistently applied. The procedures performed to assess the reasonableness of management's assumptions include, among others, the following: • Forecasted revenue growth rate We have assessed revenue growth based on the Group's renewable energy supply agreement with its sole customer and solar power plant's actual capacity. • Pre-tax adjusted discount rate We have involved our valuation experts to independently assess the reasonableness of inputs used in the weighted average cost of capital calculations, which is the basis of discount rate, with reference to comparable companies. • Other key assumptions We tested the reasonableness of costs and expenses based on historical results and future economic outlook.

Key Audit Matter	How our audit addressed the Key Audit Matter
	In testing the discounted cash flow calculation, we also performed the following: • Tested the mathematical accuracy of the discounted cash flow calculation; • Tested the determination and calculation of the carrying amount of the cash generating unit (CGU); and • Performed sensitivity analysis of certain assumptions such as discount rate and revenue growth rate to ensure that no reasonable change in the assumptions would cause the carrying amount of the CGU to exceed its recoverable amount.

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) and SEC Form 17-A (Annual Report), but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement) and SEC Form 17-A (Annual Report) are expected to be made available to us after the date of this auditor's report.

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

In connection with our audit of the consolidated 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 consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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 consolidated 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.

The engagement partner on the audit resulting in this independent auditor's report is Pocholo C. Domondon.

Isla Lipana & Co.

Pocholo C. Domondon
Partner
CPA Cert. No. 108839
P.T.R. No. 0011401; issued on January 6, 2022 at Makati City
SEC A.N. (individual) as general auditors 108839-SEC, Category A;
valid to audit 2021 to 2025 financial statements
SEC A.N. (firm) as general auditors 0142-SEC, Category A;
valid to audit 2020 to 2024 financial statements
T.I.N. 213-227-235
BIR A.N. 08-000745-128-2021; issued on December 9, 2021; effective until December 8, 2024
BOA/PRC Reg. No. 0142, effective until January 21, 2023

Makati City
May 17, 2022

Statements Required by Rule 68, Securities Regulation Code (SRC)

To the Board of Directors and Shareholders of
Harbor Star Shipping Services, Inc. and Subsidiaries
2224 A. Bonifacio St., corner Pres. Sergio Osmeña Highway
Bangkal, Makati City

We have audited the consolidated financial statements of Harbor Star Shipping Services, Inc. and Subsidiaries (the "Group") as at and for the year ended December 31, 2021, on which we have rendered the attached report dated May 17, 2022. The supplementary information shown in the Reconciliation of Parent Company's Retained Earnings Available for Dividend Declaration and A Map Showing the Relationships between and among the Parent Company and its Subsidiaries and Associates as required by Part I Section 5 of the Revised SRC Rule 68, and Schedules A, B, C, D, E, F, G as required by Part II Section 6 of the Revised SRC Rule 68, are presented for purposes of filing with the Securities and Exchange Commission and are not required parts of the basic financial statements. Such supplementary information and schedules are the responsibility of management and have been subjected to the auditing procedures applied in the audit of the basic financial statements. In our opinion, the supplementary information and schedules have been prepared in accordance with the Revised SRC Rule 68 of the Securities Regulation Code.

Isla Lipana & Co.

Pocholo C. Domondon
Partner
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Makati City
May 17, 2022

Isla Lipana & Co.

Independent Auditor's Report on
<u>Components of Financial Soundness Indicators</u>

To the Board of Directors and Shareholders of
Harbor Star Shipping Services, Inc. and Subsidiaries
2224 A. Bonifacio St., corner Pres. Sergio Osmeña Highway
Bangkal, Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Harbor Star Shipping Services, Inc. and Subsidiaries (the "Group") as at December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021, and have issued our report thereon dated May 17, 2022. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the 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 consolidated financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021 and no material exceptions were noted.

Isla Lipana & Co.

Pocholo C. Domondon
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Makati City
May 17, 2022

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Harbor Star Shipping Services, Inc. and Subsidiaries

Consolidated Statements of Financial Position
As at December 31, 2021 and 2020
(All amounts in Philippine Peso)

	Notes	2021	2020
ASSETS			
Current assets			
Cash and cash equivalents	2	263,963,505	272,482,354
Trade and other receivables, net	3	958,538,127	742,962,145
Prepayments and other current assets	4	306,421,599	298,087,640
Total current assets		1,528,923,231	1,313,532,139
Non-current assets			
Property and equipment at revalued amounts, net	6	1,662,874,369	1,435,466,294
Property, plant and equipment at cost, net	7	2,224,463,388	2,331,965,971
Right-of-use assets, net	22	76,928,280	78,064,029
Computer software, net	8	19,417,260	23,576,028
Investment properties	9	52,193,905	48,540,371
Investments in associates	5	207,277,546	198,030,532
Goodwill	1.2	154,207,159	154,207,159
Deferred income tax assets, net	23	-	33,776,867
Other non-current assets, net	10	282,960,635	296,852,142
Total non-current assets		4,680,322,542	4,600,479,393
Total assets		6,209,245,773	5,914,011,532
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	11	638,781,516	474,918,043
Short-term loans	12	522,271,500	498,000,000
Borrowings, current portion	12	259,267,337	2,292,303,962
Lease liabilities, current portion	22	6,771,855	5,044,918
Advances from related parties	21	8,515,256	7,815,256
Income tax payable		296,623	315,421
Total current liabilities		1,435,904,087	3,278,397,600
Non-current liabilities			
Trade payables, net of current portion	11	15,248,351	11,732,037
Non-current portion of loans payable	12	-	69,289
Borrowings, net of current portion	12	3,311,898,604	1,300,387,582
Lease liabilities, net of current portion	22	31,831,492	35,587,910
Deferred income tax liabilities, net	23	49,454,041	-
Retirement benefit obligation	20	105,989,538	124,458,585
Total non-current liabilities		3,514,422,026	1,472,235,403
Total liabilities		4,950,326,113	4,750,633,003
Equity			
Attributable to owners of the Parent Company			
Share capital	13	907,857,870	907,857,870
Additional paid-in-capital	13	121,632,762	121,632,762
Revaluation surplus, net of tax	6	286,743,411	70,903,774
Cumulative translation difference	27.23	(7,874,394)	(6,580,388)
Fair value reserve on financial assets at fair value through other comprehensive income		(160,000)	(160,000)
Treasury shares	13	(37,614,990)	(37,614,990)
Retained earnings (Deficit)		(32,194,999)	93,971,704
		1,238,389,660	1,150,010,732
Non-controlling interest		20,530,000	13,367,797
Total equity		1,258,919,660	1,163,378,529
Total liabilities and equity		6,209,245,773	5,914,011,532

The notes on pages 1 to 68 are integral part of these consolidated financial statements.

Harbor Star Shipping Services, Inc. and Subsidiaries

Consolidated Statements of Total Comprehensive Income
For each of the three years in the period ended December 31, 2021
(All amounts in Philippine Peso)

	Notes	2021	2020	2019
Service income, net	15	1,909,339,548	1,682,550,411	1,396,054,651
Cost of services	16	(1,366,189,664)	(1,228,754,317)	(1,111,421,445)
Gross profit		543,149,884	453,796,094	284,633,206
General and administrative expenses	17	(336,685,866)	(314,961,506)	(344,714,704)
Net impairment losses on financial assets	17	(99,678,286)	(100,154,554)	(84,118,102)
Other income (loss), net	19	(3,803,930)	67,265,192	(14,618,721)
Operating profit (loss)		102,981,802	105,945,226	(158,818,321)
Finance cost				
Interest expense	12,22	(270,326,344)	(274,705,862)	(256,617,636)
Foreign exchange income (loss) on borrowings	12,24	264,670	-	(28,546)
		(270,061,674)	(274,705,862)	(256,646,182)
Share in profit of associates	5	20,278,057	82,309,037	15,916,905
Loss before income tax		(146,801,815)	(86,451,599)	(399,547,598)
Income tax (expense) benefit	23	(11,209,506)	1,521,629	23,292,113
Loss for the year		(158,011,321)	(84,929,970)	(376,255,485)
Other comprehensive income (loss)				
Items that will not be subsequently reclassified to profit or loss				
Revaluation increment on tugboats, net of tax	6	227,705,159	-	-
Remeasurements on retirement benefits, net of tax	20	25,807,454	2,017,509	(11,084,958)
Share in other comprehensive loss of associates	5	-	-	(282,000)
Total other comprehensive income (loss), net of tax		253,512,613	2,017,509	(11,366,958)
Total comprehensive income (loss) for the year		95,501,292	(82,912,461)	(387,622,443)
Loss attributable to:				
Owners of the parent	14	(166,628,380)	(99,229,074)	(370,200,311)
Non-controlling interest		8,617,059	14,299,104	(6,055,174)
		(158,011,321)	(84,929,970)	(376,255,485)
Total comprehensive income (loss) attributable to:				
Owners of the parent		86,884,233	(97,211,565)	(381,567,269)
Non-controlling interest		8,617,059	14,299,104	(6,055,174)
		95,501,292	(82,912,461)	(387,622,443)
Loss per share				
Basic and diluted	14	(0.19)	(0.11)	(0.41)

The notes on pages 1 to 68 are integral part of these consolidated financial statements.

Harbor Star Shipping Services, Inc. and its Subsidiaries

Consolidated Statements of Changes in Equity
For each of the three years in the period ended December 31, 2021
(All amounts in Philippine Peso)

		Equity attributable to owners of the Parent Company									
	Notes	Share capital (Note 13)	Treasury stock (Note 13)	Additional paid-in capital (Note 13)	Revaluation surplus (Note 6)	Cumulative translation difference (Note 27.23)	Fair value reserve on financial assets at fair value through other comprehensive income	Retained earnings	Total	Non-controlling interest	Total equity
Balances at January 1, 2019		907,857,870	(10,853,670)	121,632,762	98,673,546	(6,811,095)	(160,000)	545,751,726	1,656,091,139	4,841,894	1,660,933,033
Comprehensive loss											
Loss for the year		-	-	-	-	-	-	(370,200,311)	(370,200,311)	(6,055,174)	(376,255,485)
Other comprehensive loss											
Remeasurements on retirement benefits, net of tax	20	-	-	-	-	-	-	(11,084,958)	(11,084,958)	-	(11,084,958)
Share of other comprehensive loss of associate	5	-	-	-	-	-	-	(282,000)	(282,000)	-	(282,000)
Total comprehensive loss		-	-	-	-	-	-	(381,567,269)	(381,567,269)	(6,055,174)	(387,622,443)
Depreciation transfer of revaluation surplus	6	-	-	-	(18,520,384)	-	-	18,520,384	-	-	-
Transactions with owners											
Acquisition of treasury shares	13	-	(26,761,320)	-	-	-	-	-	(26,761,320)	-	(26,761,320)
Translation adjustments	27.23	-	-	-	-	42,768	-	(770,987)	(728,219)	52,271	(675,948)
Balances at December 31, 2019		907,857,870	(37,614,990)	121,632,762	80,153,162	(6,768,327)	(160,000)	181,933,854	1,247,034,331	(1,161,009)	1,245,873,322
Comprehensive loss											
Loss for the year		-	-	-	-	-	-	(99,229,074)	(99,229,074)	14,299,104	(84,929,970)
Other comprehensive income		-	-	-	-	-	-	-	-	-	-
Remeasurements on retirement benefits, net of tax	20	-	-	-	-	-	-	2,017,509	2,017,509	-	2,017,509
Total comprehensive income (loss)		-	-	-	-	-	-	(97,211,565)	(97,211,565)	14,299,104	(82,912,461)
Depreciation transfer of revaluation surplus	6	-	-	-	(9,249,388)	-	-	9,249,388	-	-	-
Translation adjustments	27.23	-	-	-	-	187,939	-	27	187,966	229,702	417,668
Balances at December 31, 2020		907,857,870	(37,614,990)	121,632,762	70,903,774	(6,580,388)	(160,000)	93,971,704	1,150,010,732	13,367,797	1,163,378,529
Comprehensive income											
Loss for the year		-	-	-	-	-	-	(166,628,380)	(166,628,380)	8,617,059	(158,011,321)
Other comprehensive income		-	-	-	-	-	-	-	-	-	-
Remeasurements on retirement benefits, net of tax	20	-	-	-	-	-	-	25,807,454	25,807,454	-	25,807,454
Revaluation increment on tugboats, net of tax	6	-	-	-	227,705,159	-	-	-	227,705,159	-	227,705,159
Total comprehensive income		-	-	-	227,705,159	-	-	(140,820,926)	86,884,233	8,617,059	95,501,292
Depreciation transfer of revaluation surplus	6	-	-	-	(11,865,522)	-	-	11,865,522	-	-	-
Translation adjustments	27.23	-	-	-	-	(1,294,006)	-	2,788,701	1,494,695	(1,454,856)	39,839
Balances at December 31, 2021		907,857,870	(37,614,990)	121,632,762	286,743,411	(7,874,394)	(160,000)	(32,194,999)	1,238,389,660	20,530,000	1,258,919,660

The notes on pages 1 to 68 are integral part of these consolidated financial statements.

Harbor Star Shipping Services, Inc. and its Subsidiaries

Consolidated Statements of Cash Flows
For each of the three years in the period ended December 31, 2021
(All amounts in Philippine Peso)

	Notes	2021	2020	2019
Cash flows from operating activities				
Loss before income tax		(146,801,815)	(86,451,599)	(399,547,598)
Adjustments for:				
Depreciation and amortization	6,7,10,16,17	430,799,762	445,085,097	418,503,707
Interest expense	11,12,22	270,326,344	274,705,862	256,617,636
Net impairment losses on financial assets	17	99,678,286	100,154,554	84,118,102
Loss on debt restructuring, net	12,19	45,047,143	-	-
Retirement benefit expense	18,20	16,337,765	16,512,770	16,332,353
Provision for assessment	17	12,094,358	601,902	28,672,234
Provision for impairment of input VAT	10,17	8,283,382	9,058,444	9,058,444
Amortization of computer software	8	7,259,577	6,797,074	-
Amortization of right-of-use assets	22	6,805,996	19,262,991	19,129,320
Loss on sale of property, plant and equipment	19	5,104,687	(4,771,817)	-
Share in profit of associate	5	(20,278,057)	(82,309,037)	(15,916,905)
Unrealized foreign exchange loss (gain), net	24	(247,722)	311,648	1,755,520
Interest income	2,19	(108,971)	(404,660)	(886,384)
Provision for loss on construction advances	4,19	-	21,580,622	2,940,464
Direct write-off of accounts receivable	17	-	6,825,051	5,534,061
Reversal of property and equipment		-	6,165	-
Gain on reversal of finance lease liability	19	-	(8,703,120)	(2,363,989)
Operating profit before changes in working capital		734,300,735	718,261,947	423,946,965
Decrease (Increase) in:				
Prepayments and other current assets		(10,389,292)	227,179,350	(218,587,862)
Advances to a related party		-	(1,183,533)	(553,159)
Other non-current assets		3,986,658	(18,492,216)	(45,732,478)
Trade and other receivables		(315,254,267)	(290,173,736)	(97,584,617)
Increase (Decrease) in:				
Trade and other payables		209,351,794	131,450,147	1,082,811,469
Advances from related parties		700,000	570,766	(8,211,843)
Cash generated from operations		622,695,628	767,612,725	1,136,088,475
Interest received		108,971	404,660	886,384
Income taxes paid		(3,578,488)	(8,351,961)	(25,155,047)
Retirement obligation paid	20	(511,912)	(2,789,610)	(1,624,345)
Net cash provided by operating activities		618,714,199	756,875,814	1,110,195,467
Cash flows from investing activities				
Dividends received	5	11,031,043	776,963	-
Proceeds from disposal of property, plant and equipment	7	10,578,000	11,037,179	-
Acquisition of property, plant and equipment and computer software	6,7,8	(249,126,664)	(237,350,078)	(2,302,051,107)
Acquisition of investment properties	9	(3,653,534)	(913,384)	-
Net cash used in investing activities		(231,171,155)	(226,449,320)	(2,302,051,107)
Cash flows from financing activities				
Proceeds from borrowings	12	50,737,392	185,222,121	3,993,012,609
Net proceeds from (payments of) short-term loans	12	24,271,500	(1,750,000)	34,750,000
Payment of interest on borrowings	12	(259,999,319)	(179,176,315)	(283,221,324)
Payments of borrowings	12	(202,284,940)	(354,684,359)	(2,708,926,799)
Payment of lease liabilities	22	(6,892,929)	(5,628,886)	(26,535,598)
Payment of interest on lease liabilities	22	(1,876,649)	(1,193,385)	(6,225,067)
Acquisition of treasury shares	13	-	-	(26,761,320)
Net cash provided by (used) financing activities		(396,044,945)	(357,210,824)	976,092,501
Net increase (decrease) in cash and cash equivalents		(8,501,901)	173,215,670	(215,763,139)
Cash and cash equivalents				
Beginning of year		272,482,354	99,449,755	316,560,503
Effect of foreign exchange rate changes on cash and cash equivalents		(16,948)	(183,071)	(1,347,609)
End of year	2	263,963,505	272,482,354	99,449,755

The notes on pages 1 to 68 are integral part of these consolidated financial statements.

Harbor Star Shipping Services, Inc. and Subsidiaries

Notes to the Consolidated Financial Statements
As at December 31, 2021 and 2020 and
for each of the three years in the period ended December 31, 2021
(In the notes, all amounts are shown in Philippine Peso unless otherwise stated)

Note 1 - Business information

1.1 General information

Harbor Star Shipping Services, Inc. (the "Parent Company") was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on July 5, 1988, primarily to engage in harbor assistance (docking and undocking), ship salvage, towage/lighterage and specialized cargo handling operations and other marine services.

In July 2012, the Parent Company commenced activities for an initial public offering (IPO) of its common shares in the Philippines. On October 29, 2012, the Parent Company submitted its Registration Statement to the Philippine SEC. On October 30, 2013, the Parent Company completed its listing in the Philippine Stock Exchange (PSE) and became a public Company (Note 13). The Group did not have any follow-on offering subsequent to its initial public offering.

As at December 31, 2021, the Parent Company has 119 shareholders, 117 of which holds at least 100 common shares (2020 - 110). The Parent Company's major shareholders are its own directors holding 68.88% of its total issued shares and the remaining 31.12% of total issued shares as at December 31, 2021 and 2020 and are held by the public.

The Group's registered office, which is also its principal place of business, is located at 2224 A. Bonifacio Street corner Pres. Sergio Osmena Highway, Brgy. Bangkal, Makati City, 1233, Philippines. It has 539 employees as at December 31, 2021 (2020 - 581 employees).

1.2 Significant developments

Acquisition of Astronergy Development Gensan Inc. (ADGI);
Astronergy Development F1 Inc. (ADF1) and Astronergy Development F2 Inc. (ADF2)

On October 6, 2017, the Parent Company's BOD resolved to acquire 60% shareholdings of ADGI, an entity engaged in power generation through renewable energy through HSEC, a new subsidiary. On the same date, which became the acquisition date, a total of 599,997 shares were acquired, representing 60% of the issued and outstanding shares of ADGI. As a result, ADGI became a subsidiary of HSEC effective October 6, 2017.

ADGI was registered with the Department of Energy (DOE), with Registration No. SESC 2014-12-096 on December 29, 2014, as a Renewable Energy (RE) Developer of Solar Energy Resources. Pursuant to Section 15 Chapter VI of Republic Act (RA) No. 9513, An Act Promoting The Development, Utilization and Commercialization of Renewable Energy Resources and For Other Purposes, ADGI, as RE Developer, is entitled to certain incentives including income tax holiday (ITH) for the first seven (7) years of its commercial operations.

ADGI has permits, licenses and entitlements to operate 25MW, expandable to 75MW, solar power plant in General Santos. ADGI has been issued a Certificate of Commerciality by the DOE and has an existing ERC-approved Power Purchase Agreement (PPA) with South Cotobato II Electric Cooperative, Inc. ("SOCOTECO II"). Under the PPA, SOCOTECO-II will purchase all the energy output from the project. On March 15, 2018, the Parent Company's BOD resolved to acquire the following shares of stocks through HSEC, its subsidiary:

- 40% additional shareholdings of ADGI
- 100% shareholdings of Astronergy Development F1 Inc. (ADF1)
- 100% shareholdings of Astronergy Development F2 Inc. (ADF2)

On April 12 and October 18, 2018, HSEC acquired the remaining 25% and 15% shareholdings of ADGI which represents 250,000 and 150,000 shares of stock, respectively for a total of P75,108,479. The acquisition resulted in the reversal of NCI and a charge to retained earnings amounting to P18,695,948 and P83,342,728, respectively. The acquisition of the remaining shares of stocks made ADGI a wholly-owned subsidiary of HSEC.

The total consideration given with respect to the acquisition of ADGI's 60% shares and 100% shares of ADFI and ADF2 is P147,453,712. Provisional goodwill amounting to P48,603,347 recognized in 2017 was then subsequently adjusted in 2018 to P154,207,159 which considered likewise subsequent acquisition that pertains to the same PPA. The goodwill is attributable to the continuing operations of the acquired businesses. It will not be deductible for tax purposes.

ADF1 and ADF2 have their own ancillary permits and contracts to support the expansion of the 25 MW ADGI solar power plant to 75MW.

On July 27, 2019, ADGI started the commercial operation of its solar power plant in Sitio Changco, Brgy. Bawing, General Santos City, South Cotabato with a capacity of 25MW.

Cash paid for the acquisitions

Cash paid for the acquisition of 60% of ADGI amounting to P20,559,425 is presented net of cash from acquired subsidiary of P50,000 for a net cash paid of P20,509,425 in the consolidated statement of cash flows for the year ended December 31, 2017. In 2018, the cash paid was subsequently adjusted by P20,161,428 due to adjustments in purchase price.

Cash paid for the acquisition of 100% of ADF1 and ADF2 amounting to P147,053,712 is presented net of cash from acquired subsidiaries in the consolidated statement of cash flows for the year ended December 31, 2018.

On May 29, 2019, ADGI has received the Certificate of Approval of Increase in Capital Stock from the SEC. The authorized capital stock was increased from P2,000,000 divided into 2,000,000 shares with a par value of P1 each to P600,000,000 divided into 600,000,000 shares with a par value of P1. Subsequently, HSEC, the parent company of ADGI subscribed to an additional 300,000,000 shares with a par value of P1 for a total of P300,000,000. HSEC has settled P92,000,000 from the subscribed amount through application of its advances of deposit for future subscription.

On December 3, 2019, Energy Regulatory Commission (ERC) granted the Certificate of Compliance (COC No. 19-12-M-00188M) to ADGI after having found to comply with all the requirements in the 2014 Revised COC Rules, the Philippine Grid Code, the Philippine Distribution Code, the Wholesale Electricity Spot Market (WESM) Rules and related laws, orders and regulations. The COC shall be valid for a period of five (5) years, from December 31, 2019 to December 2, 2024, and its application for renewal shall be filed at least six (6) months before its expiration date.

In 2020, ADGI commenced commercial operations for the entire year. On January 26, 2021, SOCOTECO II and ADGI filed an Application on ERC Case No. 2013-2017 RC seeking the Commission's approval of their Renewable Energy Supply Agreement (RESA) for issuance of final authority and collection for the supply of power based on the RESA as at December 31, 2020. In 2020, ADGI has submitted to the ERC all documents to support their claims. As at reporting date, ADGI is awaiting for final ruling from the ERC.

Critical accounting estimate

Impairment of goodwill

The Group's goodwill is carried at cost and is reviewed annually for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Changes in those assessment and judgment could have a significant effect on the carrying value of goodwill and the amount and timing of recorded provision for any period. Goodwill is monitored by the Group's management following its acquisition of ADGI, ADF1 and ADF2.

As at December 31, 2021 and 2020, based on management's assessment and judgment, there is no indication of impairment of goodwill since the recoverable amount of the CGU is higher than the carrying value.

As at December 31, 2021 and 2020, the recoverable amount of ADGI's business was determined based on value in use calculation (using Level 3 inputs) using certain assumptions. The calculations made use of cash flow projections based on financial forecasts. The significant assumptions affecting the cash flow projections is limited to the pre-tax adjusted discount rate.

The cash flow forecasts reflect management's expectations of revenue growth, operating costs and margins based on past experience and outlook, consistent with internal measurements and monitoring.

Pre-tax adjusted discount rate applied to the cash flow forecasts is derived using the weighted average cost of capital as at December 31, 2021. The pretax discount rate used amounted to 13% and 9% in 2021 and 2020, respectively.

Other significant investments in 2018

On April 20, 2018, the Parent Company subscribed to 97% or equivalent to 48,500 shares of the 50,000 authorized shares of Harbor Star East Asia (Myanmar) Limited (HSEAM) and paid 50% of the subscription amounting to P1,354,522 which gave the Parent Company 100% controlling interest over HSEAM.

HSEAM was incorporated on February 6, 2018 in The Republic of the Union of Myanmar in accordance with Myanmar Companies Act under Registration and Permit no. 1054FC/2017-2018 (YGN) as a Private Company. HSEAM is engaged in providing consultancy and support services, underwater, marine and maritime- related business in Myanmar. The period of the validity of the permit is from February 6, 2018 to February 5, 2023.

On August 16, 2018, the Parent Company subscribed to 31% (218,464 shares) of the 705,924 authorized shares of Hi-Energy Marine Services, Inc. (HEMSI) and paid 100% of the subscription amounting to P85,368,973. As a result, HEMSI became an associate.

HEMSI was incorporated and registered with the SEC on February 13, 2012 primarily to engage in towage, mooring, maritime commerce and navigation.

Other significant investments in 2019

On September 20, 2019, the Parent Company subscribed to 29% or equivalent to 5,799 shares of the 100,000 authorized shares of Harbor Star East Asia (Thailand) Co. (HSEAT). The total subscribed amount of P49,651 has yet to be paid as at December 31, 2019. The subscribed shares of 29% and a seat in the BOD gave the Parent Company controlling interest over HSEAT.

HSEAT was incorporated and registered with The Partnership and Company Registration Office of Bangkok Metropolis in Thailand on September 20, 2019. HSEAT is primarily engaged in providing transportation and warehousing in Thailand.

Its registered address is 589/2 Central City Tower 1, 17th floor, Debaratana Road, Bangnaneua Subdistrict, Bangna District, Bangkok.

Other business updates

On January 29, 2020, the Maritime Industry Authority (MARINA) issued its first endorsement that it has no objection to the amendment of the Second Article of the Articles of Incorporation of TUGS authorizing it to engage in operation of maritime schools/ educational/training facilities. This is in line with the process of applying for an amendment on AOI with the SEC based on the BOD resolution issued last March 6, 2017. On July 7, 2020, the SEC approved the amendment of the AOI.

On September 8, 2020, the Parent Company has been accredited by the Philippine Contractors Accreditation Board (PCAB) for General Building and Engineering. The Parent Company is licensed to perform both private and public construction work which includes building, rehabilitating and repairing roads, piers, terminations and other infrastructure.

On February 2, 2021, the BOD has been informed that HSEAT would be closed due to continuing expenses with no operations. On April 23, 2021, the BOD has been informed that HSEAM would be suspending its operations while the Company is complying with the requirements to permanently wind-up. On November 11, 2021, HSEAT has completed the registration of its liquidation.

On March 17, 2021, the Parent Company has subscribed to 29,999,999 shares of Harbor Star Construction Corporation (HSCC) for a total amount of P29,999,997, which gave the Group 100% controlling interest over HSCC.

On April 23, 2021, the SEC has approved the Certificate of Incorporation of Harbor Star Construction Corporation (HSCC). HSCC's primary purpose is to engage in the business of general building construction and other allied business including the constructing, developing, repairing, altering, enlarging, removing, restoring, designing, or otherwise engaging in any construction jobs of all description or works.

1.3 Consolidation

As at December 31, the consolidated financial statements include the Parent Company and its Subsidiaries, namely, Harbor Star Subic Corp., Peak Flag SDN BHD; HSEC; HSEAM; HSCC; ADGI; ADF1 and ADF2, collectively referred to as the “Group”.

The principal activities of the subsidiaries and associates are set out below.

	Relationship	% of interest held 2021	% of interest held 2020	Registered place of business/ Country of incorporation	Main activity
Harbor Star Subic Corp. (HSSC)	Subsidiary	100%	100%	Philippines	HSSC was incorporated on September 17, 2015 and registered in the Philippines primarily to engage in marine-related ancillary services such as harbor assistance, towage, lighterage, oil spill response and underwater marine services. Its registered address, which is also its principal place of business, is located at Units 9 and 10, Alava Quay, Waterfront Road, Subic Bay Freeport Zone, Subic, Zambales.
Harbor Star Energy Corporation (HSEC)	Subsidiary	100%	100%	Philippines	HSEC was incorporated on May 11, 2017 and registered in the Philippines primarily to engage in the production and sale of renewable energy. Its registered address is at 2224 A. Bonifacio cor Pres. Osmeña Bangkal Makati, Metro Manila.
Peak Flag SDN BHD (Peak Flag)	Subsidiary	45%	45%	Malaysia	Peak Flag was incorporated and registered in Malaysia, primarily to carry on the business of providing tugboat harbor assist/ marine support services. Its registered address, which is also its principal place of business, is at Suite N-6-04, The Gamuda Biz Suites, No.12, Persiaran Anggerik Vanilla 31/99 Seksyen 31, Kota Kemuning 40460 Shah Alam, Selangor.
Astronergy Development Gensan, Inc. (ADGI)	Subsidiary (indirect)	100%	100%	Philippines	In 2018, HSEC completed full subscription to total share of ADGI, an entity engaged in power generation through renewable energy. Its registered address is at Unit 202 Midway Court Building, EDSA Mandaluyong, Metro Manila and principal place of business is at 2224 A. Bonifacio St. corner Pres. Sergio Osmeña Highway, Brgy. Bangkal, Makati City.
Astronergy Development F1 Inc. (ADF1)	Subsidiary (indirect)	100%	100%	Philippines	During 2018, HSEC acquired 100% ownership of Astronergy Development F1 Inc., an entity engaged in power generation through renewable energy (Note 1.2). ADF1 has not started commercial operations as at December 31, 2021. Its registered address, which is also its principal place of business, is at 2224 A. Bonifacio Street corner President Sergio Osmeña Highway, Bangkal, Makati City, Philippines.
Astronergy Development F2 Inc. (ADF2)	Subsidiary (indirect)	100%	100%	Philippines	During 2018, HSEC acquired 100% ownership of Astronergy Development F2 Inc., an entity engaged in power generation through renewable energy (Note 1.2). ADF2 has not started commercial operations as at December 31, 2021. Its registered address, which is also its principal place of business, is at 2224 A. Bonifacio Street corner President Sergio Osmeña Highway, Bangkal, Makati City, Philippines.

	Relationship	% of interest held 2021	2020	Registered place of business/ Country of incorporation	Main activity
Harbor Star East Asia (Myanmar) Limited (HSEAM)	Subsidiary	100%	100%	Myanmar	During 2018, HSSSI acquired 97% ownership of HSEAM, an entity providing consultancy and support services including underwater, marine and maritime related business. Its registered address, which is also its principal place of business, is at No. Level 8 A, Union Financial Center, Corner of Mahabandoola and Thein Phyu Road, Botahtaung Township, Yangon.
Harbor Star East Asia (Thailand) Co., Ltd. (HSEAT)	Subsidiary	29%	29%	Thailand	HSEAT was incorporated and registered in Thailand on September 20, 2019, primarily engage in providing transportation and warehousing in Thailand. Its registered address is 589/2 Central City Tower 1, 17th floor, Debaratana Road, Bangnaneua Sub-district, Bangna District, Bangkok. On November 11, 2021, HSEAT has completed the registration of its liquidation.
Harbor Star Construction Corporation (HSCC)	Subsidiary	100%	-	Philippines	HSCC was incorporated on April 23, 2021 and registered in the Philippines primarily to engage in the business of general building construction and other allied business including the constructing, developing, repairing, altering, enlarging, removing, restoring, designing, or otherwise engaging in any construction jobs of all description or works. Its registered address, which is also its principal place of business is located at 2224 A. Bonifacio cor Pres. Osmena Bangkal Makati, Metro Manila.
Hi-Energy Marine Services, Inc. (HEMSI)	Associate	31%	31%	Philippines	During 2018, HSSSI acquired 31% ownership of HEMSI, an entity engaged in towage, mooring, maritime commerce and navigation. Its registered address, which is also its principal place of business, is at Rm. 306, Velco Center cor. Senior Oca and Delgado Sts., South Port Area, Manila.
Great Eastern Tug Corporation (GETC)	Associate	20%	20%	Philippines	GETC was incorporated and registered with the Philippine SEC on September 9, 2002, primarily to own, charter in/out, operate and manage tugboats or domestic services. Its registered address, which is also its principal place of business, is located at 11F Marc 2000 Tower, 1973 Taft Avenue, Malate, Manila.

HSEAT, although assessed as having controlling interest is not included in consolidation since it is not a material component to the Group as at December 31, 2021 and 2020.

Critical accounting judgments

(a) Determining control over investments with ownership of less than half of the entity's total equity

The Parent Company follows the guidance of Philippine Financial Reporting Standards (PFRS) 10 "Consolidated Financial Statements" in determining if control exists for investments with ownership of less than half of its total equity. In making this judgment, the Parent Company considers the power over more than half of the voting rights by virtue of an agreement with other investors, power to govern the financial and operating policies of the entity under a statute or an agreement, power to appoint or remove the majority of the members of the Board of Directors (BOD), or power to cast the majority of votes at meetings of the BOD.

Having a significant influence based on the percentage ownership, the Parent Company initially considered Peak Flag as associate. However, effective January 1, 2014, the Parent Company has gained control over the key economic decisions and policies affecting Peak Flag under the duly signed amended shareholders' agreement including majority board representation. Consequently, based on management's judgment and continuous assessment of the Parent Company, Peak Flag is considered a subsidiary as at December 31, 2021 and 2020.

Assessment of control over subscribed shares of HSEAT is disclosed in Note 1.2.

(b) Non-controlling interest

Set out below are the summarized financial information of Peak Flag, a subsidiary, that has non-controlling interests to the Group. The amounts disclosed are before intercompany eliminations.

	2021	2020
Total current assets	256,726,874	178,915,406
Total non-current assets	111,618,485	125,958,745
Total current liabilities	306,191,654	286,427,538
Total non-current liabilities	27,232,670	-
Equity	34,921,035	18,446,613
Total revenue	97,921,562	119,625,723
Total expenses	(82,254,181)	(93,627,370)
Total income for the year	15,667,381	25,998,353
Total comprehensive income for the year	15,667,381	25,998,353
Net cash used in operating activities	40,217,499	61,310,961
Net cash provided by financing activities	34,355,467	5,321,253

1.4 Approval of the consolidated financial statements

The consolidated financial statements of the Group were approved and authorized for issue by the Parent Company's BOD on May 13, 2022. There were no events during the intervening period between BOD approval and audit report date that will impact the consolidated financial statements.

Note 2 - Cash and cash equivalents

Cash and cash equivalents as at December 31 consist of:

	2021	2020
Cash on hand	2,077,635	2,010,357
Cash in banks	134,147,389	263,745,222
Cash equivalents	127,738,481	6,726,775
	263,963,505	272,482,354

Interest income earned from cash in banks and cash equivalents for the year ended December 31, 2021 amounted to P108,971 (2020 - P404,660; 2019 - P886,384) (Note 19).

The carrying values of cash and cash equivalents represent maximum exposure to credit risk other than cash on hand. While cash and cash equivalents are also subject to the impairment of PFRS 9, the identified impairment loss was immaterial.

Note 3 - Trade and other receivables, net

Trade and other receivables, net as at December 31 consist of:

	2021	2020
Trade receivables	1,065,929,590	724,407,286
Allowance for impairment of trade receivables	(259,514,939)	(169,265,262)
	806,414,651	555,142,024
Advances to officers, employees and others	174,587,028	208,471,960
Allowance for impairment of advances to employees and others	(26,517,886)	(23,625,837)
	148,069,142	184,846,123
Others	4,054,334	2,973,998
	958,538,127	742,962,145

Trade receivables are amounts due from customers for rendering harbor assistance and other marine services and solar energy fee in the ordinary course of the business with an average credit term of 30 to 60 days.

Advances to employees represent outstanding balances with existing employees and regular collections are made through liquidation and salary deduction.

As at December 31, 2021, advances to officers representing key management personnel amounted to P31,854,445 (2020 - P77,925,701) (Note 21).

The carrying value of trade and other receivables as at December 31, 2021 and 2020 approximates its fair value as at reporting date.

Allowance for impairment

The Group applies PFRS 9 simplified approach in measuring expected credit losses (ECL) which uses a lifetime expected loss allowance for all trade receivables.

To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of service fees over a period of 36 to 60 months before January 1, 2021 and 2020 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 to settle the receivables. The Group has identified the inflation rate in the Philippines to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes in such rates.

Movements in the provision for impairment of trade and other receivables for the years ended December 31 are as follows:

	Note	2021	2020
Beginning of year		192,891,099	104,693,250
Provision for impairment of trade and other receivables		99,389,922	98,417,856
Recovery		(6,500,000)	-
Write-off		-	(10,036,539)
Cumulative translation adjustment	27.23	251,804	(183,468)
End of year		286,032,825	192,891,099

For the year ended December 31, 2021, a net provision for impairment of trade and other receivables amounting to P99,389,922 (2020 - P98,417,856; 2019 - P76,728,154) (Note 17) was charged to net impairment losses on financial assets in the statements of total comprehensive income, as a result of management's assessment of collectability. Of this amount, a provision from impairment of advances to inactive employees amounted to P2,892,049 in 2021 (2020 - P2,397,884; 2019 - P34,156,541).

In 2020, the Group wrote off previous provided uncollectible advances to officers, employees and others amounting to P10,036,539. There were no write-offs made in 2021 and 2019.

In 2020, the Group has directly written off trade receivables amounting to P6,825,051 (2019 - P5,534,061). There was no direct write-offs made in 2021.

The Group has recognized a recovery of previously provided impaired trade receivables amounting to P6,500,000 in 2021 (2020 and 2019 - nil).

Critical accounting estimates and assumptions

Recoverability of trade and other receivables

The allowance for impairment related to the Group's trade and other receivables is based on assumptions about risk of default and expected loss rates. The Group uses estimates in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed above.

Judgments related to provision for impairment of receivables are continually evaluated based on historical experiences and other factors, including expectations of future events that may have a financial impact on the Group and that are believed to be reasonable under the circumstances.

Note 4 - Prepayments and other current assets

Prepayments and other current assets as at December 31 consist of:

	Notes	2021	2020
Construction advances		149,233,639	221,340,500
Allowance for construction advances		(24,521,086)	(24,521,086)
Construction advances, net		124,712,553	196,819,414
Input value-added tax (VAT)		28,006,985	2,414,680
Allowance for impairment of input VAT	17	(376,239)	-
Input VAT, net	10	27,630,746	2,414,680
Prepayments		108,758,683	53,781,704
Advances to suppliers		40,863,926	41,169,286
Refundable deposits	22	3,959,971	3,902,556
Others		495,720	-
		306,421,599	298,087,640

Construction advances pertain to advances to suppliers, contractors and employees related to construction projects subject to liquidation.

Prepayments consist of mainly unexpired hull and machinery insurance, motor car insurance, life and health insurance, prepaid rent and fuel which are expected to be utilized for a period of less than a year.

Advances to suppliers consist of advance payments on services to be performed within 12 months.

Movements in the provision for impairment of construction advances for the years ended December 31 are as follows:

	Note	2021	2020
Beginning of year		24,521,086	2,940,464
Provision for loss on construction advances	19	-	21,580,622
End of year		24,521,086	24,521,086

Allowance for construction advances pertain to impaired portion of uncompleted projects charged to other expenses (Note 19).

For the year ended December 31, 2021, the Group provided for impairment of current portion of input VAT amounting to P376,239 (2020 and 2019 - nil) (Note 17), which was charged to general and administrative expenses in the statement of total comprehensive income, as a result of management's assessment of recoverability.

Note 5 - Investments in associates

Investments in associates as at December 31 consist of:

	2021	2020
GETC	15,950,725	15,242,514
HEMSI	191,326,821	182,788,018
	207,277,546	198,030,532

The movement of investments in associates for the years ended December 31 are as follows:

	2021	2020	2019
Beginning of year	198,030,532	116,498,458	100,863,553
Share in net profit*	20,278,057	82,309,037	15,916,905
Share in other comprehensive loss	-	-	(282,000)
Dividends	(11,031,043)	(776,963)	-
End of year	207,277,546	198,030,532	116,498,458

**Share in net profit include share in prior year adjustment to equity*

(a) GETC

The movements of investment in GETC for the years ended December 31 are as follows:

	2021	2020	2019
Beginning of year	15,242,514	14,965,723	14,498,937
Share in net profit*	708,211	276,791	748,786
Share in other comprehensive loss	-	-	(282,000)
End of year	15,950,725	15,242,514	14,965,723

**Share in net profit include share in prior year adjustment to equity*

Set out below is the summarized financial information of GETC as at December 31:

	2021	2020	2019
Total current assets	11,217,254	34,508,667	25,715,520
Total non-current assets	102,695,301	41,879,265	49,343,215
Total current liabilities	14,658,943	175,361	230,119
Total non-current liabilities	19,499,985	-	-
Net assets or equity	79,753,627	76,212,571	74,828,616
Total revenue	16,711,607	11,375,000	14,520,000
Total profit for the year	3,625,017	1,246,456	4,058,645
Total other comprehensive loss	-	-	(1,410,000)
Total comprehensive income	3,625,017	1,246,456	2,648,645

	2021	2020	2019
Net assets, January 1	76,212,571	74,828,616	72,494,683
Profit for the year	3,625,017	1,246,456	4,058,645
Other comprehensive loss	-	-	(1,410,000)
Adjustment to equity	(83,961)	137,499	(314,712)
Net assets, December 31	79,753,627	76,212,571	74,828,616
Group's share in %	20%	20%	20%
Group's share in net assets	15,950,725	15,242,514	14,965,723

The movements of investment in HEMSI for the years ended December 31 are as follows:

	2021	2020	2019
Beginning of year	182,788,018	101,532,735	86,364,616
Share in net profit*	19,569,846	82,032,246	15,168,119
Dividends received	(11,031,043)	(776,963)	-
End of year	191,326,821	182,788,018	101,532,735

**Share in net profit include share in prior year adjustment to equity*

On February 11, 2021 and November 27, 2021, the Group received dividend income from HEMSI amounting to P5,561,238 and P5,469,805, respectively, (2020 - P776,963).

Set out below is the summarized financial information of HEMSI as at December 31:

	2021	2020	2019
Total current assets	335,464,245	375,000,219	138,456,360
Total non-current assets	210,945,316	176,188,530	151,025,666
Total current liabilities	83,817,047	72,858,602	56,564,671
Total non-current liabilities	4,666,651	47,918,811	85,825,057
Net assets or equity	457,925,863	430,411,336	147,092,298
Total revenue	305,200,713	693,132,647	252,927,907
Total profit for the year	24,148,331	292,320,115	32,414,682
Total comprehensive income	24,148,331	292,320,115	32,414,682

	2021	2020	2019
Net assets, January 1	589,668,771	327,524,954	278,595,535
Profit for the year	24,148,331	292,350,115	32,414,682
Dividends declared	(35,584,010)	(2,506,332)	-
Adjustment to equity	38,950,204	(27,699,966)	16,514,737
Net assets, December 31	617,183,296	589,668,771	327,524,954
Group's share in %	31%	31%	31%
Group's share in net assets	191,326,821	182,797,319	101,532,735

The investment in the net assets of HEMSI in 2018 includes a goodwill amounting to P159,257,435.

Critical accounting judgment

Impairment of investments in associates

The Group's investments in associates is carried using equity method. The carrying value is reviewed and assessed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Changes in those management assessment and judgment could have a significant effect on the carrying value of investments in associates and the amount and timing of recorded provision for any period.

As at December 31, 2021 and 2020, based on management's assessment and judgment, there are no indications of impairment or changes in circumstances indicating that the carrying value of its investment in associates may not be recoverable.

Note 6 - Property and equipment at revalued amounts, net

Details of property and equipment carried at revalued amounts as at December 31 are as follows:

	Notes	2021	2020
As at January 1			
Revalued amount		3,655,926,803	3,683,096,274
Accumulated depreciation		(2,220,460,509)	(2,073,820,382)
Net carrying amount		1,435,466,294	1,609,275,892
Year ended December 31			
Opening net carrying amount		1,435,466,294	1,609,275,892
Additions		145,693,766	49,148,377
Revaluation increments		296,854,138	-
Disposal			
Cost		-	(76,106,973)
Accumulated depreciation		-	69,868,566
Reclassification	7	(6,555,656)	-
Depreciation	16	(208,584,173)	(216,719,568)
Closing net carrying amount		1,662,874,369	1,435,466,294
At December 31			
Revalued amount		4,091,919,051	3,655,926,803
Accumulated depreciation		(2,429,044,682)	(2,220,460,509)
Net carrying amount		1,662,874,369	1,435,466,294

The net book value of the tugboats, had the assets been carried at cost and not at revalued amount as at December 31 would have been as follows:

	Note	2021	2020
As at January 1			
Cost		2,621,536,215	2,648,494,812
Accumulated depreciation		(1,287,361,027)	(1,153,723,437)
Net carrying amount		1,334,175,188	1,494,771,375
Year ended December 31			
Opening net carrying amount		1,334,175,188	1,494,771,375
Additions		145,693,766	49,148,377
Cost		-	(76,106,973)
Accumulated depreciation		-	69,868,566
Reclassification	7	(6,555,656)	-
Depreciation		(192,763,477)	(203,506,157)
Closing net carrying amount		1,280,549,821	1,334,175,188
At December 31			
Cost		2,760,674,325	2,621,536,215
Accumulated depreciation		(1,480,124,504)	(1,287,361,027)
Net carrying amount		1,280,549,821	1,334,175,188

The movements of revaluation increment for the years ended December 31 are as follows:

	Note	2021	2020
Beginning of year		101,291,106	114,504,517
Revaluation increment of tugboats		296,854,138	-
Amortization of revaluation increment through depreciation		(15,820,696)	(13,213,411)
End of year, gross of tax		382,324,548	101,291,106
Tax rate		25%	30%
Deferred income tax liability	23	(95,581,137)	(30,387,332)
End of year, net of tax		286,743,411	70,903,774

Amortization of revaluation increment, net of tax in 2019 amounted to P18,520,384.

Certain tugboats with a net carrying value of P181,677,181 were valued at P478,531,319 by Value Metrics, Inc., an accredited independent appraiser, as at December 31, 2021. The revaluation increment of the tugboats amounted to P296,854,138 for the year ended December 31, 2021. The tugboats were revalued based on cost approach due to the specialized nature of the properties. The fair value hierarchy of these assets is Level 2. Certain tugboats were used as collateral to secure the loans obtained from various banks (Note 12). As at December 31, 2021, the Group's tugboats used as collaterals have a net carrying amount of P1,355,747,872 (2020 - P1,147,785,508).

In 2020, the Group sold a tugboat with a carrying value of P6,238,407 for a total consideration of P10,000,000 resulting in a gain amounting to P3,761,593 (Note 19). The total consideration was received in cash during the year. No tugboat was disposed of in 2021.

In 2021, the Group reclassified net carrying cost amounting to P6,555,656 to barges under property and equipment at cost (2020 - nil) (Note 7). This was considered a non-cash transaction in the statement of cash flows.

Critical accounting estimates

(a) Useful lives of property and equipment at revalued amounts

The Group's management determines the estimated useful lives for its property and equipment at revalued amounts based on the period over which the assets are expected to be available for use. The Parent Company annually reviews the estimated useful lives of property and equipment based on factors that include asset utilization, internal technical evaluation, technological changes, environmental and anticipated use of assets tempered by related industry benchmark information. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in factors mentioned.

An increase/decrease in the estimated useful life would impact the recorded net carrying amounts of property and equipment at revalued amounts with a corresponding increase/decrease in the profit for the year as a result of lower/higher depreciation expense charged through profit or loss.

(b) Revaluation of tugboats

The Group carries its tugboats at appraised value, with changes in fair value being recognized directly in equity under revaluation surplus. The Group reviews the fair value of its tugboats periodically every 3 to 5 years.

The Group considers that it is impracticable to disclose with sufficient reliability the possible effects of sensitivities surrounding the estimates on recent market transactions on arm's length terms at the end of each reporting period. However, it is reasonably possible, on the basis of existing knowledge, that changes in estimates would impact the recorded cost of services and property and equipment at a revalued amount.

The Group engaged an independent valuation specialist in determining the fair value of some of its tugboats as at December 31, 2021. Management deems that the revalued amounts of tugboats not subjected to the independent appraisal in 2021 still approximate the fair value as at reporting dates with a significant number of tugboats only recently acquired at substantially comparable prices. The Group is considering revaluing the remaining of its tugboats in 2022.

Note 7 - Property, plant and equipment at cost, net

Details of property, plant and equipment as at December 31 are as follows:

	Land	Barges	Building and building improvements	Transportation equipment	Diving and oil spill equipment	Furniture, fixtures and leasehold improvements	Construction equipment	Construction-in-progress	Total
At January 1, 2020									
Cost	39,556,011	694,596,314	2,015,627,820	65,580,316	325,408,883	6,191,337	12,260,099	18,144,120	3,177,364,900
Accumulated depreciation	-	(338,019,505)	(82,831,016)	(47,960,633)	(156,290,040)	(4,753,472)	(7,637,505)	-	(637,492,171)
Cumulative translation adjustments	-	-	-	-	(553,798)	(9,539)	-	-	(563,337)
Net carrying amount	39,556,011	356,576,809	1,932,796,804	17,619,683	168,565,045	1,428,326	4,622,594	18,144,120	2,539,309,392
Opening net carrying amount	39,556,011	356,576,809	1,932,796,804	17,619,683	168,565,045	1,428,326	4,622,594	18,144,120	2,539,309,392
Additions	-	3,716,516	350,375	5,092,905	12,091,797	331,251	4,230,541	-	25,813,385
Reversal	-	-	-		-	(6,165)	-	-	(6,165)
Disposal	-								
Cost	-	-	-	(1,616,864)	-	-	-	-	(1,616,864)
Accumulated depreciation	-	-	-	1,589,910	-	-	-	-	1,589,910
Depreciation	-	(87,678,215)	(96,569,155)	(7,008,532)	(33,731,435)	(837,621)	(2,540,571)	-	(228,365,529)
Translation adjustments	-	-	-	-	(5,046,245)	288,087	-	-	(4,758,158)
Closing net carrying amount	39,556,011	272,615,110	1,836,578,024	15,677,102	141,879,162	1,203,878	6,312,564	18,144,120	2,331,965,971
At December 31, 2020									
Cost	39,556,011	698,312,830	2,015,978,195	69,056,357	337,500,680	6,516,423	16,490,640	18,144,120	3,201,555,256
Accumulated depreciation	-	(425,697,720)	(179,400,171)	(53,379,255)	(190,021,475)	(5,591,093)	(10,178,076)	-	(864,267,790)
Cumulative translation adjustments	-	-	-	-	(5,600,043)	278,548	-	-	(5,321,495)
Net carrying amount	39,556,011	272,615,110	1,836,578,024	15,677,102	141,879,162	1,203,878	6,312,564	18,144,120	2,331,965,971
Year ended December 31, 2021									
Opening net carrying amount	39,556,011	272,615,110	1,836,578,024	15,677,102	141,879,162	1,203,878	6,312,564	18,144,120	2,331,965,971
Additions	-	100,482,908	-	1,409,294	20,880,576	357,114	166,773	-	123,296,665
Disposal									
Cost	-	(135,661,358)	-	(1,578,690)	-	-	-	-	(137,240,048)
Accumulated depreciation	-	120,097,852	-	1,459,509	-	-	-	-	121,557,361
Reclassification	-	6,555,656	-	-	-	-	(3,803,571)	-	2,752,085
Depreciation	-	(79,058,434)	(96,763,131)	(8,423,808)	(33,269,327)	(723,406)	(2,356,016)	-	(220,594,122)
Translation adjustments	-	-	-	-	2,720,246	5,230-	-	-	2,725,476
Closing net carrying amount	39,556,011	285,031,734	1,739,814,893	8,543,407	132,210,657	842,816	319,750	18,144,120	2,224,463,388
At December 31, 2021									
Cost	39,556,011	667,988,051	2,015,978,195	68,886,961	358,381,256	6,873,537	12,853,842	18,144,120	3,188,661,973
Accumulated depreciation	-	(382,956,317)	(276,163,302)	(60,343,554)	(223,290,812)	(6,314,499)	(12,534,092)	-	(961,602,576)
Cumulative translation adjustments	-	-	-	-	(2,879,787)	283,778	-	-	(2,596,009)
Net carrying amount	39,556,011	285,031,734	1,739,814,893	8,543,407	132,210,657	842,816	319,750	18,144,120	2,224,463,388

As at December 31, 2021, the Group's unpaid acquisition of tugboats and other marine vessel amounted to P34,804,717 and P15,800,679, respectively (2020 - P24,330,599 and P3,310,222), which is considered a non-cash activity (Note 6).

In 2019, the Group's pre-development cost from the ADGI acquisition amounting to P1.83 billion was reclassified to property, plant and equipment, upon start of ADGI's operations. Pre-development cost represents total expenditures incurred to date net of revenue from saleable material recognized during the pre-commercial production period, if any. Deduction is only appropriate if it can clearly be shown that the production of the saleable material is directly attributable to bringing the asset to the condition necessary for it to be capable of operating in the manner intended by management. As at December 31, 2021, building and building improvements include capitalized costs on solar power plant with a carrying value amounting to P1.69 million (2020 - P1.78 million).

In 2019, it was assessed based on internal evaluations that they will be able to utilize the solar power plant for up to 20 years. In 2020 during its first full year of operations, ADGI management has reassessed the useful life of solar power plant. Based on internal evaluations, they will be able to utilize the solar power plant between 10 and 30 years which is also aligned with industry practice. As such, the management has approved the change in estimated useful life of solar power plant from 20 years to between 10 and 30 years.

The change in estimated useful life is considered to be a change in accounting estimate accounted for prospectively by recognizing the effect of the change in the period change and future periods until the end of the useful life. The net effect of the change in useful life is a decrease in depreciation expense amounting to P3.1 million annually starting 2020.

As at December 31, 2021, the Group's unpaid acquisitions of property, plant and equipment amounted to P22,391,363 (2020 - P27,640,821).

Depreciation for the years ended December 31 charged to profit or loss consists of:

	Notes	2021	2020	2019
Cost of services	16	176,030,302	204,530,997	176,013,876
General and administrative expenses	17	20,330,020	19,050,321	20,475,024
Other income (loss), net	19	24,233,800	4,784,211	320,892
		220,594,122	228,365,529	196,809,792

In July 2019, ADGI started its commercial operations and recognized depreciation expense of P43.85 million in relation to the solar power plant capitalized. In 2021 and 2020, total depreciation amounted to P88.60 million each year.

In 2020, the ADGI reversed furniture and fixtures acquired in 2019 and its corresponding accounts payable amounting to P6,165 upon return of the furniture to the supplier.

Construction-in-progress as at December 31, 2021 and 2020 mainly comprise of additional office space being prepared for its intended use.

The net carrying value of transportation equipment and barges used as collateral to secure loans from various banks (Note 12) amounted to P6.9 million and P207.6 million, respectively as at December 31, 2021 (2020 - P8.4 million and P271.0 million).

In 2021, the Group sold a barge and transportation equipment with a net carrying value of P15,682,687 (2020 - P26,955) for a total consideration of P10,578,000 (2020 - P1,037,179) resulting in a total loss on disposal amounting to P5,104,687 (2020 - P1,010,224) (Note 19). The total consideration was received in cash in 2021 and 2020.

In 2021, the Group also reclassified the cost of construction equipment under lease amounting to P3,803,571 to right-of-use asset (Note 22) (2020 - nil). This was considered a non-cash transaction in the statement of cash flows.

Critical accounting estimates

Useful lives of property, plant and equipment at cost

The Group's management determines the estimated useful lives for its property, plant and equipment at cost based on the period over which the assets are expected to be available for use. The Group annually reviews the estimated useful lives of property, plant and equipment based on factors that include asset utilization, internal technical evaluation, technological changes, environmental and anticipated use of assets tempered by related industry benchmark information. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in factors mentioned.

An increase/decrease in the estimated useful life would impact the recorded net carrying amounts of property, plant and equipment at cost with a corresponding increase/decrease in the profit for the year as a result of lower/higher depreciation expense charged to profit or loss.

Critical accounting judgment

(a) Impairment of property, plant and equipment

The Group's property, plant and equipment, except for tugboats, is carried at cost. The carrying value is reviewed and assessed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Changes in those assessment and judgment could have a significant effect on the carrying value of property, plant and equipment and the amount and timing of recorded provision for any period.

As at December 31, 2021 and 2020, based on management's assessment and judgment, there are no indications of impairment or changes in circumstances indicating that the carrying value of their property, plant and equipment may not be recoverable.

(b) Decommissioning cost

As at reporting date, ADGI is still discussing with lessor and confirming its contractual obligation to dismantle facilities upon termination of its lease agreement. Hence, management has assessed any obligation to be less likely as at reporting date.

Note 8 - Computer software, net

The details of computer software, net as at December 31:

Year ended December 31, 2020	
Opening net carrying amount	27,859,777
Additions	2,513,325
Amortization (Note 17)	(6,797,074)
Closing net carrying amount	23,576,028
At December 31, 2020	
Cost	33,597,177
Accumulated amortization	(10,021,149)
Net carrying value	23,576,028
Year ended December 31, 2021	
Opening net carrying amount	23,576,028
Additions	3,100,809
Amortization (Note 17)	(7,259,577)
Closing net carrying amount	19,417,260
At December 31, 2021	
Cost	36,697,986
Accumulated amortization	(17,280,726)
Net carrying value	19,417,260

Management assessed that there are no indicators that computer software is impaired as at December 31, 2021 and 2020.

Note 9 - Investment properties

As at December 31, the Group's investment properties consist of parcels of land in various locations, which are held for capital appreciation.

The movement in investment properties for the years ended December 31 are as follows:

	2021	2020
Beginning of year	48,540,371	47,626,987
Additions	3,653,534	913,384
End of year	52,193,905	48,540,371

The estimated fair value of the investment properties as at December 31, 2021 and 2020 amounted to P434.5 million and P321.9 million, respectively, based on the recent selling price per square meter and land reclassification to industrial in 2017.

Direct operating expenses amounting to P1.9 million (2020 - P2.0 million), pertaining to the payment for revocable permit application and professional fee of Lemery property, were incurred for the year ended December 31, 2021. There was no income earned related to the investment properties for the years ended December 31, 2021 and 2020.

Critical accounting judgment

The carrying value of the Group's investment properties is reviewed and assessed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Changes in those assessment and judgment could have a significant effect on the carrying value of investment properties and the amount and timing of recorded provision for any period.

As at December 31, 2021 and 2020, based on management's assessment and judgment, there are no indications of impairment or changes in circumstances indicating that the carrying value of its investment properties may not be recoverable.

Note 10 - Other non-current assets, net

Other non-current assets as at December 31 consist of:

	Note	2021	2020
Input VAT, net of output VAT		311,908,667	315,165,251
Allowance for impairment of input VAT		(67,891,945)	(59,984,802)
Input VAT, net		244,016,722	255,180,449
Leasehold rights, net		37,022,304	38,643,773
Financial asset at fair value through other comprehensive income (FVOCI)		1,816,198	810,000
Lease guarantee deposit	22	55,000	55,000
Refundable deposits		50,398	50,398
Performance bond		13	2,112,522
		282,960,635	296,852,142

Performance bond is a security required by the contracting party to ensure completion of performance of obligation in the event that the performing party cannot fulfill its obligations, as set forth in the circular no DOE DC 2009-07-0011 Sec 16 Obligations of a Developer.

The movement in allowance for impairment of input VAT for the years ended December 31 follows:

	Note	2021	2020
Beginning of year		59,984,802	50,926,358
Provision for impairment	17	7,907,143	9,058,444
End of year		67,891,945	59,984,802

The Group's leasehold rights pertain to the following:

(a) The Parent Company has existing leasehold rights for a piece of land in San Vicente, Palawan for 25 years.

The movements in leasehold rights for the years ended December 31 are as follows:

	Note	2021	2020
Cost			
As at January 1 and December 31		20,598,235	20,598,235
Accumulated amortization			
As at January 1		(1,539,858)	(769,929)
Amortization	17	(769,929)	(769,929)
As at December 31		(2,309,787)	(1,539,858)
Net book value		18,288,448	19,058,377

(b) ADF1 and ADF2 have existing rights over a property in General Santos City for 25 years.

The movements in leasehold rights for the years ended December 31 are as follows:

	Note	2021	2020
Cost			
As at January 1 and December 31		21,288,472	21,288,472
Accumulated amortization			
As at January 1		(1,703,076)	(851,538)
Amortization	17	(851,538)	(851,538)
As at December 31		(2,554,614)	(1,703,076)
Net book value		18,733,858	19,585,396

Critical accounting judgment

Allowance for impairment of input VAT is maintained at a level considered adequate to provide for potentially unrecoverable tax claims from excess input VAT. An evaluation of the recoverability of the excess input VAT, designed to identify potential charges to the provision, is performed on a continuous basis throughout the period. Management uses judgment based on the best available facts and circumstances, including but not limited to the evaluation of its future utilization based on long-term forecasts, in determining provision for impairment of input VAT. A change in the provision would impact the Group's recorded carrying value of input VAT and provision for impairment.

Further, based on management assessment, out of the total carrying amount of input VAT as at December 31, 2021, P27,630,746, presented under "Prepayments and other current assets" in the statement of financial position (2020 - P2,414,680) (Note 4), will be recovered in the next twelve (12) months after reporting date. The remaining balance amounting to P244,016,722 presented under "Other non-current assets" will be recoverable beyond twelve (12) months after the reporting date (2020 - P255,180,449).

Management believes that the net carrying amount of input VAT is recoverable based on the long-term business plans of the Group.

Note 11 - Trade and other payables

Trade and other payables as at December 31 consist of:

	Note	2021	2020
Current			
Trade payables		333,362,461	255,834,692
Accrued expenses			
Interest	12	117,218,301	105,249,113
Construction costs		34,606,805	31,441,671
Tug assistance		39,726,705	29,898,476
Fuel		27,499,961	11,980,482
Marketing		8,119,863	7,826,685
Others		25,504,151	2,870,069
Provisions		15,765,084	3,670,726
Advances from officers and employees		12,624,281	11,755,963
Unearned income		10,957,608	7,188,709
Payable to government agencies		5,125,573	5,661,705
Others		8,270,723	1,539,752
		638,781,516	474,918,043
Non-current			
Trade payable		15,248,351	11,732,037

Trade payables are generally non-interest-bearing and are settled in thirty (30) to ninety (90) days' term.

In 2019, the Group entered into a purchase agreement with a foreign supplier for the purchase of tugboat to be settled in twenty-four (24) monthly installment payments bearing an interest rate of 2.87%. In 2020, the terms of purchase agreement were modified by extending the monthly installments to thirty-six (36) months bearing an interest rate of 5.30%.

In 2021, the Group entered into another purchase agreement with a foreign supplier for the purchase of tugboat with an upfront payment of 50% and the remaining balance to be settled in 36 monthly installment payment bearing an interest rate of 5.25% per annum.

For the year-ended December 31, 2021, total interest expense charged to total comprehensive income amounted to P1,088,448 (2020 - P2,875,255; 2019 - P641,813).

Accrued expenses are obligations on the basis of normal credit terms and do not bear interest. These pertain to accruals made for professional fees, and delivered goods and services not yet billed by suppliers as of reporting period. Accruals are made based on prior month's billings and/or contracts and are normally settled within twelve (12) months from the reporting period. Other accrued expenses are mainly composed of outstanding payable to insurance companies and unliquidated business expenses which are expected to be settled in the subsequent year.

Accrued construction costs pertain to unliquidated expenses of employees in relation to the construction projects of the Group.

The Group has outstanding advances from officers amounting to P2,384,576 in 2021 (2020 - P1,516,258) (Note 21), which is part of advances from officers and employees.

Unearned income pertains to advance collection from customers. Unearned income amounting to P7,188,709 and P16,940,552 as at January 1, 2021 and 2020, was recognized as service income in 2021 and 2020, respectively.

Provisions pertain to estimated assessments from regulatory agencies.

Movement in provisions for the years ended December 31 are as follows:

	Note	2021	2020
January 1		3,670,726	37,945,509
Provisions	17	12,094,358	601,902
Utilization		-	(34,876,685)
December 31		15,765,084	3,670,726

Note 12 - Short-term loans and borrowings

Details of short-term loans and borrowings as at December 31 are as follows:

	2021	2020
Current		
Short-term loans	522,271,500	498,000,000
Current portion of long-term borrowings	259,267,337	2,292,303,962
Non-current		
Non-current portion of loans payable	-	69,289
Long-term borrowings	3,311,898,604	1,300,387,582
	4,093,437,441	4,090,760,833

Movements of long-term borrowings during the year are as follows:

	2021	2020
Beginning balance	3,592,760,833	3,753,428,334
Cash transactions		
Proceeds	50,737,392	185,222,121
Payments	(202,284,940)	(354,684,359)
Non-cash transactions		
Capitalization of interest into term loan	90,202,784	-
Loss on debt restructuring, net (Note 19)	45,047,143	-
Reversal of loan repayment	-	8,794,737
Amortization of premium or discount on debt restructuring	(5,032,601)	-
Total	3,571,430,611	3,592,760,833
Unrealized foreign exchange loss	(264,670)	-
Ending balance	3,571,165,941	3,592,760,833

The fair value of long-term borrowings approximates its carrying values as at December 31, 2021 and 2020.

Parent Company

On September 13, 2021, the Parent Company entered into a loan agreement with one of its director and shareholder, for a principal of JPY 55,000,000 or P24,271,500 for use as downpayment for the purchase of a tugboat. The loan bears an interest rate of 8.50% per annum and is payable quarterly starting December 13, 2021. The principal amount of the loan is payable on June 13, 2022.

On October 4, 2021, the Parent Company availed of a short-term borrowing from a local financing company amounting to P70,000,000 with 12% interest per annum. The amount borrowed was paid and settled in December 2021.

As at December 31, 2021, the Parent Company's unsecured short-term loans from local banks and from shareholder which bear interest rates ranging from 5.25% to 8.50% (2020 - 4.80% to 6.70%) and have maturity of one (1) to six (6) months from reporting date.

As at December 31, 2021, the Parent Company's long term borrowings bear annual interest rate ranging from 4.87% to 9.23% (2020 - 4.50% to 13.65%) are payable in various installments maturing on various dates from 2023 to 2030. These are secured by chattel mortgages to certain Parent Company-owned tugboats (Note 6), transportation equipment and barges (Note 7).

In 2020, the long-term borrowings agreements require compliance by the Parent Company to various covenants including, among others, the maintenance of financial ratios. As at December 31, 2020, the Parent Company was in the process of securing waivers for non-compliance with debt covenants. Hence, certain long-term borrowings amounting to P112,500,000 were presented as current liabilities in 2020. In 2021, the Parent Company is compliant with all its debt covenants in 2021. Consequently, borrowings were reclassified as non-current in 2021.

Both short-term loans and long term borrowings were obtained specifically for working capital purposes and to finance capital expenditures that are non-qualifying assets.

Total interest expense from borrowings charged to profit or loss for the year ended December 31, 2021 amounted to P163,616,488 (2020 - P175,669,164; 2019 - P192,288,461). There are no qualifying asses as at December 31, 2021 and 2020, hence, no borrowing cost are capitalized.

Due to the impact of the COVID-19 pandemic and community quarantine, the Parent Company has entered into loan restructuring agreement with Rizal Commercial Banking Corporation (RCBC) and Asia United Bank (AUB) in 2020 and with Chinatrust Philippines Commercial Bank Corporation (CTBC) in 2021.

On October 16, 2020, the Parent Company availed of the Credit Assistance and Recovery (CARE) Program of RCBC. The Parent Company entered into a loan conversion agreement whereby its outstanding promissory notes amounting to P1.14 billion and term loan amounted to P146.3 million with a maturity date ranging from October 2019 to November 2020 and from March to July 2019, respectively, was converted into 57 monthly term loan of P1.291 billion with the principal amount payable in 48 monthly installments of P11.125 million starting July 15, 2021 and a balloon payment of P757 million on the 57th month on July 14, 2025. Under the loan conversion agreement, compliance with debt covenants will be effective starting 2021 upon the start of repayment. Gain on loan restructuring was not recognized as it is deemed immaterial.

On July 13, 2020, the Parent Company received the Notice of Approval of Amendments to its outstanding borrowings with AUB amounting to P142.1 million. The amendments to the borrowings include the extension of nine (9) months from original maturity date of September 27, 2022, principal amount to be repaid in 11 quarterly amortizations commencing nine (9) months from December 23, 2020 and a revised fixed interest rate of 7.5% per annum from 6.25%.

On October 7, 2021, the Parent Company entered into a loan restructuring agreement with CTBC whereby outstanding promissory notes were consolidated into one (1) promissory note with the principal amount of P477.3 million. The interest rate previously ranging from 4.88% to 7.00% was revised to three (3) month BVAL plus 3.5% per annum or a minimum of 5.25% per annum subject to quarterly repricing. The principal amount of the long term borrowing amounting to P477.3 million is to be settled in 20 quarterly payment starting January 2022 with a final balloon payment amounting to 45.53% of the principal to be settled in December 2026. A gain on debt restructuring amounting to P3,928,685 was recognized in 2021. This is considered a non-cash transaction in the statement of cash flow.

ADGI

On January 19, 2018, ADGI secured an Omnibus Loan Agreement with Development Bank of the Philippines (DBP) for a principal amount of P1.59 billion available in the form of advance term loan or Import Letter of Credit payable in 12 years, inclusive of a one (1) year and six (6) months-grace period, with the principal payable in 42 quarterly amortizations with 35% balloon payment due at maturity to commence at the end of seventh (7th) quarter from date of initial drawdown until fully paid. The loan is covered by various securities which include among others 100% ownership shares pledged, continuing deed of assignment of receivables from customers, continuing deed of assignment of rights arising from engineering, procurement and construction contracts with the DOE. The purpose of the borrowing is to finance the construction of the 26.88-megawatt solar power plant in General Santos City.

On February 12, 2020, ADGI entered into an Amendment to the Omnibus Loan Agreement with DBP and agreed on a change in repayment terms. ADGI shall repay the loan in 12 years, inclusive of two (2) years grace period, the principal payable in 40 quarterly amortizations with thirty-five percent (35%) balloon payment due at maturity to commence at the end of the ninth (9$^{th)}$ quarter from the date of initial drawdown until fully paid. All principal payment affected shall be re-amortized.

Due to the impact of the COVID-19 pandemic and community quarantine, ADGI has subsequently entered into a loan restructuring agreement with Development Bank of the Philippines in 2021.

In 2019, ADGI has paid a principal amount of the loan amounting to P8,794,736. In 2020, DBP has reversed the payment of principal and applied it as payment of outstanding interest. This is considered a non-cash activity.

The long-term borrowing agreement requires compliance by the Parent Company to certain various covenants including, among others, the maintenance of financial ratios after a year of commercial operations. The Parent Company shall maintain at all times a debt-to-equity ratio (DER) of not exceeding 2:1 and current ratio and debt service coverage ratio of less than one (1) as defined in the Term Loan Facility Agreement. As at December 31, 2019, the debt covenants are not yet applicable as commercial operations only started in July 2019. As at December 31, 2020, the Parent Company has substantially complied with most of the covenants except for financial ratios hence the entire balance of loan is reclassified as current in 2020.

On April 16, 2021, ADGI has entered into a loan restructuring agreement with DBP whereby its outstanding term loan with a principal amount of P1,584,900,000 payable in 40 quarterly amortization starting in July 2020 with thirty-five percent (35%) balloon payment due in April 2030, was extended with an additional two (2) year grace period payable in 43 quarterly amortization to commence on October 19, 2022, with a final maturity on April 19, 2033. Interest on the restructured loan is at a fixed rate for five (5) years based on the lender's prevailing rate at effective date renewable at the end of every five (5) years based on the then prevailing rate. In addition, the interest and other charges related to the term loan amounting to P90.20 million as at January 19, 2021 was capitalized and restructured into a five (5) year term loan with a fixed interest rate based on the lender's prevailing rate at effective date, payable quarterly to commence on October 19, 2022, with a final maturity on October 19, 2025. Under the loan restructured agreement, debt covenants exclude compliance with financial ratios. ADGI is compliant with all its debt covenants as at December 31, 2021. In 2021, a loss on debt restructuring amounting to P48,975,828 was recognized in 2021. This is considered a non-cash transaction in the statement of cash flows.

Total interest expense net of the amortization on loss on restructuring from borrowings charged to profit or loss amounted to P100,500,373 (2020 - P90,446,446; 2019 - P40,946,577).

HSSC

On April 23, 2019, the Company entered into a three (3) year loan agreement with a local bank for a principal amount of P741,071, to finance the purchase of a vehicle. The amount was drawn with a fixed interest rate of 9.22% per annum. The principal and interest amount are payable in thirty-six (36) monthly amortization commencing April 23, 2019 until maturity of the loan. The vehicle was pledged as collateral for the loan.

Total interest expense from loans payable charged to profit or loss amounted to P19,663 (2020 - P42,695; 2019 - P40,209).

Peak Flag

On April 15, 2021, Peak Flag entered into a three (3) year loan agreement with a local financial institution for a principal amount of P48,645,600 or MYR 4,000,000 for working capital purposes. The amount was drawn with a fixed interest rate of 8.25% per annum. The principal and interest amount are payable in thirty-six (36) monthly amortization commencing May 15, 2021 until maturity of the loan. A tugboat was pledged as collateral for the loan.

Total interest expense from borrowings charged to profit or loss for the year ended December 31, 2021 amounted to P2,799,382 (2020 and 2019 - nil).

The fair value of long-term borrowings approximates its carrying values as at December 31, 2021 and 2020.

Net debt reconciliation

Detailed analysis of net debt and the movements in net debt for the years ended December 31 are presented below:

	Notes	2021	2020
Cash and cash equivalents	2	263,963,505	272,482,354
Short-term loans		(522,271,500)	(498,000,000)
Borrowings, current portion		(259,267,337)	(2,292,303,962)
Borrowings, net of current portion		(3,311,898,604)	(1,300,387,582)
Non-current portion of loans payable		-	(69,289)
Interest payable	11	(117,218,301)	(105,249,113)
Unrealized foreign currency exchange loss		(264,670)	-
Lease liability, current portion	22	(6,771,855)	(5,044,918)
Lease liability, net of current portion	22	(31,831,492)	(35,587,910)
Net debt		(3,985,560,254)	(3,964,160,420)

Net unrealized foreign exchange loss for the year ended December 31, 2021 amounted to P264,670 (2020 - nil; 2019 - P28,546). Total borrowings denominated in foreign currency as at December 31, 2021 amounted to P68,122,638 (2020 - nil; 2019 - P797,328).

Note 13 - Share capital and additional paid-in capital

As at December 31, 2021 and 2020, the Parent Company's authorized share capital amounting to P2 billion is composed of 2 billion shares with par value of P1 per share.

Movements and details of share capital as at December 31 are as follows:

	Number of common shares issued and outstanding	Amount		
		Share capital	Share premium	Treasury shares
At December 31, 2021 and 2020	894,586,870	907,857,870	121,632,762	(37,614,990)

As discussed in (Note 1.1), on October 29, 2012, the Parent Company submitted its Registration Statement to the Philippine SEC. On October 30, 2013, the IPO of the Parent Company's shares were issued with an issue/offer price of P1.88 per share. Total shares registered and subscribed was 181.6 million shares resulting in share capital of P181.6 million and additional paid-in capital of P121.6 million net of transaction costs amounting to P24.6 million. There are no other share offering after the IPO in 2013.

On March 6, 2017, the BOD and shareholders approved to amend the Parent Company's articles of incorporation to increase its authorized capital stock from P1.5 billion to P2 billion shares (Note 1.2).

Treasury shares

On September 24, 2018, the Parent Company's BOD approved the share buyback program which was implemented in various dates in 2018 and 2019. The Parent Company acquired a total of 13,271,000 treasury shares for a total amount of P37,614,990.

No shares were repurchased for the years ended December 31, 2021 and 2020.

Note 14 - Loss per share

Basic earnings per share is calculated by dividing the net income attributable to shareholders of the Parent Company by the weighted average number of ordinary shares in issue during the period, excluding ordinary shares purchased by the Parent Company and held as treasury stocks, if any.

Total issued ordinary shares for the period has been adjusted for impact of stock split and stock dividends, if any.

Loss per share for the years ended December 31 is calculated as follows:

	2021	2020	2019
Net loss attributable to Parent Company	(166,628,380)	(99,229,074)	(370,200,311)
Weighted average number of common shares - basic and diluted	894,586,870	894,586,870	896,489,166
Basic and diluted loss per share	(0.19)	(0.11)	(0.41)

The basic and diluted earnings per share are the same each for the year presented as there are no potential dilutive common shares.

Note 15 - Service income, net

The components of service income, net for the years ended December 31 are:

	2021	2020	2019
Over time			
Harbor assistance, net of discounts	1,109,333,110	1,030,564,608	1,054,400,631
Salvage income	260,371,206	109,038,887	31,855,709
Lighterage services	110,736,686	110,097,148	103,338,093
Construction revenue	70,309,281	24,832,096	-
Towing services	24,306,924	17,719,208	36,927,505
Others	32,641,001	84,890,984	62,389,873
	1,607,698,208	1,377,142,931	1,288,911,811
At a point in time			
Revenue on generation of solar power	301,641,340	305,407,480	107,142,840
	1,909,339,548	1,682,550,411	1,396,054,651

Harbor assistance pertains to services rendered in assisting ships and other watercrafts in docking and undocking at the port. The amount of income recognized for the year ended December 31, 2021 is net of discounts amounting to P84 million (2020 - P111.0 million; 2019 - P123.0 million).

The Group has a claim amounting to $8 million USD for the completed salvage of MV Diamond Highway in June 2019 which has been endorsed for arbitration proceedings. Accordingly, the Group recognized salvage income amounting to P29.4 million which represents the collectible portion as at reporting date based on preliminary discussions with counterparties. The hearing in September 2020 will determine final claimable amount from the vessel and cargo owners. Due to the impact of COVID-19 in 2020, the hearing was postponed to 2021. On November 19, 2021, the Group entered into a settlement agreement with the vessel owners and was able to collect a total amount of Php 39.4 million or $0.8 million on December 6, 2021. In 2021, the Group recognized an additional salvage income amounting to P10.0 million.

Others consist of income generated from diving and other underwater services, among others. The Group revenue are divided into two business segments - harbor assistance and renewable energy (Note 27.29).

Note 16 - Cost of services

The components of cost of services for the years ended December 31 are:

	Notes	2021	2020	2019
Depreciation and amortization	6,7	384,614,475	421,250,565	394,759,129
Fuel and lubricants		256,782,772	208,176,367	211,362,481
Personnel costs	18	249,311,527	225,404,453	214,258,577
Outside services		130,285,406	55,572,443	40,419,797
Supplies and construction supplies		82,545,490	71,409,085	24,210,201
Rent	22	75,825,953	43,674,364	24,739,717
Insurance		50,655,691	59,382,629	53,390,235
Charter hire		29,769,774	32,789,449	32,567,761
Port expense		21,764,867	21,426,970	20,509,006
Repairs and maintenance		17,525,629	22,355,706	15,984,637
Professional fees		8,862,291	6,098,960	4,121,782
Transportation and travel		5,912,350	7,582,987	8,161,788
Amortization right-of-use asset	22	4,891,336	17,504,480	17,504,480
Communications, light and water		2,358,348	3,498,150	4,395,658
Taxes and licenses		1,693,258	947,495	2,814,464
Others		43,390,497	31,680,214	42,221,732
		1,366,189,664	1,228,754,317	1,111,421,445

Others mainly consisted of expenses such as survey and valuation fees, commission and utilities expenses.

Note 17 - General and administrative expenses

The components of general and administrative expenses for the years ended December 31 are:

	Notes	2021	2020	2019
Personnel costs	18	121,601,320	117,103,913	112,851,999
Taxes and licenses		39,233,432	30,537,097	34,950,465
Representation and entertainment		29,519,098	25,390,124	20,329,567
Repairs and maintenance		28,277,680	26,473,486	3,954,901
Depreciation and amortization	7	20,330,020	19,050,321	20,475,024
Transportation and travel		19,411,099	8,595,004	37,097,074
Provision for assessment	11	12,094,358	601,902	28,672,234
Professional fees		9,555,318	11,251,796	24,078,867
Outsourced services		8,902,341	5,658,700	5,892,389
Provision for impairment of input VAT	4,10	8,283,382	9,058,444	9,058,444
Amortization of computer software	8	7,259,577	6,797,074	1,327,194
Insurance		6,849,231	8,335,319	5,909,178
Communications		4,022,825	3,730,633	5,319,131
Supplies and construction materials		3,909,372	5,511,901	5,436,284
Utilities		2,909,360	2,785,417	2,631,120
Rent	22	1,935,226	2,206,361	4,227,435
Amortization of right-of-use assets	22	1,914,660	1,758,511	1,624,841
Registration and membership fees		1,878,307	100,482	272,807
Amortization of leasehold rights	10	1,621,467	1,621,467	1,621,467
Advertising and promotions		786,644	1,282,142	4,519,679
Fuel and lubricants		88,835	180,662	59,051
Write-off of trade receivables	3	-	6,825,051	5,534,061
Others		6,302,314	20,105,699	8,871,492
		336,685,866	314,961,506	344,714,704

Others mainly consisted of expenses such as directors' fee, membership fees, postage, courier, bank service charges and other expenses.

The components of net impairment loss on financial assets for the years ended December 31 are:

	Notes	2021	2020	2019
Net impairment losses on financial assets				
Trade and other receivable	3	99,389,922	98,417,856	76,728,154
Advances to a related party	21	288,364	1,736,698	7,389,948
		99,678,286	100,154,554	84,118,102

Note 18 - Personnel costs

The components of personnel costs for the years ended December 31 are:

	Notes	2021	2020	2019
Cost of services				
Salaries and wages		138,078,619	125,714,443	116,375,001
Crew expense		39,575,430	32,472,166	38,194,581
Tug and barge operations		23,519,925	20,599,062	20,750,245
Retirement benefit expense	20	12,516,495	12,249,478	11,361,937
Other employee benefits		35,621,058	34,369,304	27,576,813
	16	249,311,527	225,404,453	214,258,577
General and administrative expenses				
Salaries and wages		100,675,987	101,020,410	94,288,958
Retirement benefit expense	20	3,821,270	4,263,292	4,970,416
Other employee benefits		17,104,063	11,820,211	13,592,625
	17	121,601,320	117,103,913	112,851,999
		370,912,847	342,508,366	327,110,576

Other employee benefits mainly pertain to the employer's share on statutory contributions and insurance.

Note 19 - Other income (loss), net

The components of other income (loss), net for the years ended December 31 consist of:

	Notes	2021	2020	2019
Foreign exchange gain (loss), net	24	1,418,060	(6,672,523)	(20,606,210)
Interest income	2	108,971	404,660	886,384
Loss on debt restructuring, net	12	(45,047,143)	-	-
Gain (loss) on sale of property and equipment, net	6,7	(5,104,687)	4,771,817	-
Ship management		-	39,216,670	-
Insurance claims		-	17,901,148	-
Gain on reversal of finance lease liability	22	-	8,703,120	2,363,989
Provision for loss on construction advances	4	-	(21,580,622)	(2,940,464)
Others		44,820,869	24,520,922	5,677,580
		(3,803,930)	67,265,192	(14,618,721)

Ship management pertains to other income arising from the transport of fuel, freshwater and other supplies for various tugboats.

Insurance claims pertain to reimbursements from insurance companies for the damages on tugboats incurred by the Group in previous years.

Others pertain to cost recharges including depreciation expense amounting to P24,233,800 (2020 - P4,784,211; 2019 - P320,892), wreck stage, care taking services and non-routine special projects provided by the Group to their customers which do not fall under regular service income.

Note 20 - Retirement benefit

The Parent Company has an unfunded, non-contributory, and actuarially computed retirement benefit plan which provides a retirement benefit in accordance with the local conditions and practices in the Philippines. Under the Plan, the normal retirement age is 60 with a minimum of five years of service.

The retirement benefit obligation is determined using the "Projected Unit Credit" (PUC) method. Under the PUC method, the annual normal cost for the portion of the retirement benefit is determined as the amount necessary to provide for the portion of the retirement benefit accruing during the year. The latest actuarial valuation report of the Company prepared by the independent actuary is for the year ended December 31, 2021.

The amounts recognized in the statement of financial position as present value of defined benefit obligation amounted to P105,989,538 and P124,458,585 as at December 31, 2021 and 2020, respectively.

The Parent Company does not have any plan assets. The movements in the liability recognized in the statements of financial position as at December 31 are as follows:

	2021	2020
Beginning of year	124,458,585	113,617,579
Current service cost	12,288,792	11,796,930
Interest cost	4,048,973	4,715,840
Benefits paid	(511,912)	(2,789,610)
Remeasurement (gain) loss due to:		
Experience adjustments	(22,836,774)	10,141,991
Changes in financial assumptions	(11,458,126)	(13,024,145)
End of year	105,989,538	124,458,585

The amounts recognized in profit or loss for the years ended December 31 are as follows:

	2021	2020	2019
Current service cost	12,288,792	11,796,930	10,392,867
Net interest cost	4,048,973	4,715,840	5,939,486
Retirement benefit expense	16,337,765	16,512,770	16,332,353

Retirement benefit expense is included as part of personnel cost under cost of services and general and administrative expenses (Notes 16 and 17).

The amounts of remeasurement loss (gain) on defined benefit obligation recognized in other comprehensive income for the years ended December 31 are as follows:

	Note	2021	2020	2019
Due to change in financial assumptions		(11,458,126)	10,141,991	10,627,543
Due to experience		(22,836,774)	(13,024,145)	5,208,112
Remeasurement loss (gain)		(34,294,900)	(2,882,154)	15,835,655
Deferred income tax expense	23	8,573,724	864,645	(4,750,697)
Deferred income tax effect of CREATE	23	(86,278)	-	-
Remeasurement gain, net of tax		(25,807,454)	(2,017,509)	11,084,958

Movements in cumulative other comprehensive income related to retirement benefit obligation for the years ended December 31 presented as part of retained earnings in the statements of financial position follows:

	Note	2021	2020
Beginning of year		(976,587)	(2,994,096)
Remeasurement gain for the year		34,294,900	2,882,154
Deferred income tax effect	23	(8,487,446)	(864,645)
End of year, net of tax		24,830,867	(976,587)

Shown below is the maturity analysis of the undiscounted benefit payments as at December 31:

	2021	2020
Less than one year	30,097,095	37,508,192
More than one year to five years	30,965,521	16,960,375
More than five years to 10 years	36,746,586	64,764,484
More than 10 years to 15 years	66,012,757	65,178,581
More than 15 years to 20 years	104,977,081	93,847,700
More than 20 years	182,644,998	204,275,980
Total expected payments	451,444,038	482,535,312

The average duration of the defined benefit obligation at the end of the reporting period is 17.16 years (2020 - 17.14 years)

There are no unusual or significant risks to which the Plan exposes the Parent Company.

Demographic assumptions

Demographic assumptions, such as mortality rates, are set having regard to the latest trends in life expectancy (including expectations for future improvements), plan experience and other relevant data. The assumptions are reviewed and updated as necessary as part of the periodic actuarial valuation of the pension plan. The assumptions used in 2021 are consistent with those applied in 2020.

Assumptions regarding future mortality experience are set based on advice from published statistics and experience within the industry.

Critical accounting estimate

The present value of the retirement benefit obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost for pension include the discount rate and future salary increase. Any changes in these assumptions will impact the carrying amount of retirement benefit obligation.

The Parent Company determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the retirement benefit obligation. In determining the appropriate discount rate, the Parent Company considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related retirement benefit obligation.

The significant actuarial assumptions used by the Parent Company for the years ended December 31 are as follows:

	2021	2020
Discount rate	5.09%	3.86%
Salary growth rate	5.00%	5.00%

The sensitivity of the defined benefit obligation at December 31 to changes in the significant weighted principal assumptions is:

	2021			2020		
	Increase (decrease) in defined benefit obligation					
	Change in assumption	Increase in assumption	Decrease in assumption	Change in assumption	Increase in assumption	Decrease in assumption
Discount rates	1%	(7,808,087)	9,148,268	1%	(9,539,187)	11,253,876
Salary growth rate	1%	9,596,061	(8,346,092)	1%	11,602,096	(10,041,863)

The sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the retirement benefit obligation recognized within the statements of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

HSEC, HSSC and ADGI provide for the estimated retirement benefits based on the retirement due under Republic Act (RA) No. 7641, the Retirement Pay Law. Under the Retirement Pay Law, the retirement benefit obligation is computed as one-half of monthly salary for every year of service, a fraction of six months being considered as one whole year. The term one-half of monthly salary shall mean 15 days plus the one-twelfth of the 13^{th} month, and the cash equivalent of not more than five days service incentive leaves.

Note 21 - Related party transactions and balances

The table below summarizes the Group's transactions with their related parties for the years ended December 31:

	Terms and conditions	2021	2020	2019
Purchase of services				
Associate	Services rendered to the Parent Company are billed based on agreed prices. These are unsecured, non-interest bearing and are payable in cash within 30 days after invoice date.	31,365,575	19,001,400	-

The table below summarizes the outstanding balances with related parties as at December 31:

	Terms and conditions	Notes	2021	2020
Advances to related party, net of provision:				
Officers	These are unsecured, non-interest bearing and are subject to liquidation.	3	31,854,445	77,925,701
Advances from related parties:				
Officers	These are unsecured, non-interest bearing, due on demand and are to be paid in cash.	11	(10,889,831)	(9,313,168)

Key management compensation and benefits

Key management compensation and benefits for the years ended December 31 consist of:

	Terms and conditions	2021	2020	2019
Salaries and short term employee benefits	Key management compensation covering salaries and wages and other short-term benefits are determined based on contract of employment and payable in accordance with the Group's payroll period. These were fully paid at reporting date.	64,027,848	72,101,426	84,067,198
Retirement benefits	Retirement benefits are determined and payable in accordance with policies disclosed in Note 27.19. These will be settled upon retirement of key management.	4,751,979	5,613,733	5,390,789
Professional fees	Professional fees are paid to a director holding key position in the Parent Company.	585,000	464,834	1,182,119
		69,364,827	78,179,993	90,640,106

As at December 31, 2021, and 2020, amounts due from and to key management personnel are reflected as part of advances to officers (Notes 3 and 11) and retirement benefit obligation.

The Group has not provided share-based payments, termination benefits or other long-term benefits other than retirement benefits to its key management personnel for the years ended December 31, 2021, 2020 and 2019.

For the year ended December 31, 2021, receivables from related parties, foreign entities, has been determined to be uncollectible, hence, a net provision for impairment of receivable from related parties amounting to P288,364 (2020 - P1,736,698) was charged to net impairment losses on financial assets in statements of total comprehensive income, as a result of management's assessment of collectability.

Movement in the provision for impairment of advances to a related party for the years ended December 31 are as follows:

	Note	2021	2020
Beginning of year		1,736,698	7,389,948
Provision for impairment of advances to a related party	17	288,364	1,736,698
Write-off		(2,025,062)	(7,389,948)
End of year		-	1,736,698

The following related party transactions and balances were eliminated for the purpose of preparing the consolidated financial statements for the years ended December 31:

	2021	2020	2019
Advances to related parties	1,410,621,631	1,349,246,441	1,268,259,237
Advances from related parties	1,410,621,631	1,349,246,441	1,476,259,237
Investment in subsidiaries	(284,174,514)	(268,247,453)	(519,192,305)
Cost of services	(13,669,004)	(13,016,745)	(4,251,699)
Other income, net	13,669,004	13,016,745	3,866,210

There are no unrealized gains and losses eliminated in the consolidation.

Note 22 - Leases

The Group has entered into long term and short term lease agreements in 2021 and 2020.

(a) Long-term lease agreements

(i) Office space and warehouse lease

The Parent Company entered into two (2) operating lease agreement for its Cebu and Davao branch office space. The Cebu Branch office is located at Unit No. 1 Benley Building, J. de Veyra Street, North Reclamation Area, Cebu City. The lease term of the Cebu Branch office covers a period of two (2) years from February 15, 2019 to February 14, 2021 subject to renewal upon agreement by both parties. The contract was subsequently renewed for another two (2) years from February 15, 2021 to February 14, 2023. The Davao Branch office is located at DR 2 Ground Floor Building 1, Insular Village One Commercial Area, Lanang, Davao City. The lease term of the Davao branch office covers a period of one (1) year from April 1, 2019 to March 31, 2020 subject to renewal upon option of the lessee. The contract was subsequently renewed for another year covering April 1, 2020 to March 31, 2021 and April 1, 2021 to March 31, 2022. As at December 31, 2021 and 2020, the required security deposit amounted to P50,400. These are presented as refundable deposits under "Other non-current assets" (Note 10) in the consolidated statement of financial position in 2021 and 2020.

The Parent Company entered into a operating lease agreement for a 200 square meter warehouse space in SOS Mabini Storage Facility, Mabini, Batangas. The lease term initially covers a period of one (1) year from January 9, 2019 to January 4, 2020 which was subsequently renewed for two (2) consecutive years to end on January 4, 2021 and January 9, 2022. The lease agreement is renewable for another year upon agreement by both parties.

On November 18, 2021, HSSC entered into sublease agreement for its Subic office space with a third party. The agreement provides the Company to with the exclusive rights over Unit 9 and 10, Alava Quay, Global Commercial Building located at Central Business District Area, Waterfront Road, Subic Bay Freeport consisting of 48.68 square meters for a period of three (3) years to expire on September 30, 2024. The sublease agreement may be renewed upon the mutual consent of the parties and written consent of SBMA.

(ii) Barge Queen Jade

The Group entered into a lease agreement covering Barge Queen Jade with the Development Bank of the Philippines (DBP) on February 27, 2014. The lease term covers a period of ten (10) years with an annual interest rate of 6%. The first monthly lease payment commenced on September 15, 2014 until September 15, 2024. The lease agreement required the Parent Company to pay a lease guarantee deposit amounting to P4,301,032 at the inception of the contract which will be applied as final payment at the end of the lease term. The lease guarantee deposit was classified as part of the right-of-use asset upon adoption of PFRS 16 as it will be applied as final payment at the end of the lease term.

(iii) Bareboat charter

The Group entered into two (2) standard bareboat charter lease agreement covering the lease of Crest 2801, a barge, and Crest Opal, a tugboat, with Pacific Crest Pte. Ltd. on September 21, 2018. The lease term covers a period of 12 months from delivery of the barge and tugboat on October 31, 2018 until October 31, 2019. The lease is renewable annually upon mutual agreement by both parties. The Group has issued a letter of intent to lease the barge and tugboat for a period of five (5) years from the commencement of the lease.

Due to the decrease in operations arising from the impact of COVID 19, the Group was not able to fully utilize the barge and tugboat in 2020 resulting in lease modifications.

For the barge, no lease payment was made in 2020. On January 8, 2021, the Group executed a memorandum of agreement and a bill of sale to purchase the barge. This was capitalized under "Property and equipment at cost" (Note 7) in the consolidated statement of financial position.

For the tugboat, no lease payment was made from January to September 2020. The Group entered into a new bareboat charter lease agreement for Crest Opal on December 18, 2020. The new lease term covers a period of 12 months from the delivery of the tugboat effective October 1, 2020. The new lease term also covers a bargain purchase option to acquire the tugboat within the new lease period. The new lease agreement was considered as short-term under PFRS 16, "*Leases*" because the lease term is less than 12 months. On May 31, 2021, the Parent Company acquired the tugboat was capitalized under "Property and equipment at revalued amounts, net" (Note 6) in the consolidated statement of financial position.

(iv) Construction equipment

On February 1, 2021, the Parent Company entered into a lease agreement with a third party for the lease of a construction equipment. The lease term covers a period of two (2) years starting February 1, 2021 until January 31, 2023. The Parent Company can purchase the construction equipment at the end of the lease term upon settlement of the final lease payment at the end of the lease term.

(v) Land

On April 12, 2016, ADGI entered into a forest land use agreement with the Department of Environment and Natural Resources (DENR). The agreement provides ADGI with the exclusive right to occupy, manage and develop approximately one hundred fifty-six (156) hectares of forestland in Sitio Chanco, Barangay Bawing, General Santos City, South Cotabato, for the solar power plant project for a period of twenty-five (25) years to expire on April 12, 2041. The agreement is renewable for another twenty-five (25) years subject to mutual agreement by both parties. The Company shall pay an annual lease of P468,000 upon the signing of the agreement in April 2016 to be increased cumulatively by 10% every year.

(b) Short-term lease agreements

(i) Office space

The Parent Company and subsidiaries have various operating lease agreements covering office spaces for provincial branches for periods ranging from six (6) months to one (1) year which can be extended or renewed upon mutual agreement by both parties.

(ii) Other variable lease agreements

The Parent Company also entered into various operating lease agreements with third parties for rental of generator set, equipment, boats, truck, car, housing and other items as the need arises during the normal course of its business operations. The lease term covers a period ranging for one (1) day to less than one (1) year.

Rent expense from the foregoing lease agreements recognized in profit or loss for the years ended December 31 are as follows:

	Notes	2021	2020	2019
Cost of services	16	75,825,953	43,674,364	24,739,717
General and administrative expenses	17	1,935,226	2,206,361	4,227,435
		77,761,179	45,880,725	28,967,152

These short-term lease agreements require the Parent Company to pay the refundable deposits which are presented within prepayments and other current assets (Note 4) in the consolidated statement of financial position. As at December 31, 2021 and 2020, refundable deposits amounted to P3.9 million (Note 4).

These lease agreements were considered as short-term and low value lease under PFRS 16, "*Leases*" because the lease term is less than 12 months.

Lease terms are negotiated either on a collective or individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

(c) Amounts recognized in the consolidated statement of financial position

Leased assets and lease liabilities are presented as a separate line items in the consolidated statement of financial position. As at December 31 the carrying amounts of right-of-use asset related to the lease agreements above is shown below:

	Office space and warehouse	Construction equipment	Barge	Land	Total
Cost					
January 1, 2020	1,714,867	-	147,164,910	20,956,053	169,835,830
Additions	1,120,321	-	-	-	1,120,321
Reclassification	-	-	(74,189,224)	-	(74,189,224)
December 31, 2020	2,835,188	-	72,975,686	20,956,053	96,766,927
Accumulated amortization					
January 1, 2020	786,599	-	27,449,001	3,352,968	31,588,568
Amortization	920,271	-	17,504,478	838,242	19,262,991
Lease modification	-	-	(32,148,661)	-	(32,148,661)
December 31, 2020	1,706,870	-	12,804,818	4,191,210	18,702,898
Net carrying amount					
December 31, 2020	1,128,318	-	60,170,868	16,764,843	78,064,029
Cost					
January 1, 2021	2,835,188	-	72,975,686	20,956,053	96,766,927
Additions	1,563,104	303,572	-	-	1,866,676
Reclassification (Note 7)	-	3,803,571	-	-	3,803,571
December 31, 2021	4,398,292	4,107,143	72,975,686	20,956,053	102,437,174
Accumulated amortization					
January 1, 2021	1,706,870	-	12,804,818	4,191,210	18,702,898
Amortization	1,076,417	2,224,702	2,666,635	838,242	6,805,996
December 31, 2021	2,783,287	2,224,702	15,471,453	5,029,452	25,508,894
Net carrying amount					
December 31, 2021	1,615,005	1,882,441	57,504,233	15,926,601	76,928,280

Movements in the lease liabilities for the years ended December 31 are as follows:

	2021	2020
Lease liabilities		
At January 1	40,632,828	91,762,062
Additions	4,438,105	1,120,321
Principal payments	(6,892,929)	(5,628,886)
Interest payments	(1,876,649)	(1,193,385)
Interest expense	2,301,992	5,316,399
Lease modifications	-	(50,743,683)
At December 31	38,603,347	40,632,828
Lease liabilities		
Current	6,771,855	5,044,918
Non-current	31,831,492	35,587,910
	38,603,347	40,632,828

(d) Amounts recognized in the statements of total comprehensive income

Amounts recognized in the consolidated statement of total comprehensive income for the years ended December 31 related to the lease agreements above are as follows:

	Notes	2021	2020
Amortization expense of right-of-use asset	16,17	6,805,996	19,262,991
Expense relating to short-term lease	16,17	77,761,179	45,880,725
Interest expense on lease liability		2,301,992	5,316,399
		86,869,167	70,460,115

The total cash outflows for leases for the year ended December 31, 2021 amounted to P62.8 million (2020 - P52.7 million). The Group recognized a net gain on lease modifications amounting to P8.7 million and P2.4 million in 2020 and 2019, respectively, as presented in the other income, net (Note 19). No gain or loss on lease modification was recognized in 2021.

(e) Discount rate

The lease payments for office space and warehouse lease and barge are discounted at 1.86% to 6.87% in 2021 (2020 - 5.23% to 7.03%) which is Group's incremental range of borrowing rate, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

(f) Extension and termination options

Extension and termination options are included in the lease agreements of the Group. These are used to maximize the operational flexibility in terms of managing the assets used in the Group's operations. The extension and termination options held are exercisable upon mutual agreement by both parties unless specifically stated that extension and termination is at the option of the lessee.

Critical accounting judgment

(a) Incremental borrowing rate of lease liabilities

Payments for leases of properties and office equipment are discounted using the lessee's incremental borrowing rate, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received. Where third party financing cannot be obtained, the Group uses the government bond yield, adjusted for the (1) credit spread specific to each entity under the Group and (2) security using the right-of-use asset.

(b) Extension and termination options of lease agreements

Extension and termination options are included in a number of properties, plant and equipment leases of the Group. These are used to maximize operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

Extension options are considered in the bareboat charter lease agreement of the Group based on the letter of intent.

(c) Determining lease terms

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The Group considers the factors below as the most relevant in assessing the options:

- If there are significant penalties to terminate (or not extend), the Group is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Group is typically reasonably certain to extend (or not terminate).
- Otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

Note 23 - Income tax expense

All the companies in the Group are subject to normal corporate income tax rate at 25% in 2021 and 30% in 2020 except for HSSC and ADGI. HSSC is registered under Republic Act No. 7227, otherwise known as Bases Conversion and Development Act of 1992, that enables it to be under Gross Income Taxation (GIT) of 5%. ADGI is registered under the Renewable Act 9531, an Act Promoting The Development, Utilization, and Commercialization of Renewable Energy Resources and For Other Purposes, that provides for fiscal incentives including income tax holiday.

Corporate Recovery and Tax Incentives for Enterprises Act (CREATE)

On March 26, 2021, Republic Act (RA) No. 11534, otherwise known as CREATE, was signed into law. Among the salient provisions of CREATE include changes to the Corporate Income Tax (CIT) as follows:

- RCIT rate of 20% (from 30%) shall be applicable to domestic corporations with net taxable income not exceeding P5 million and with total assets not exceeding P100 million (excluding land on which the business entity's office, plant and equipment are situated) from July 1, 2020;
- RCIT rate of 25% (from 30%) shall be applicable to all other domestic and foreign corporations from July 1, 2020; and
- For the period beginning July 1, 2020 until June 30, 2023, the MCIT rate shall be 1%, instead of 2%.

PAS 12, Income Taxes, requires current and deferred taxes to be measured with reference to the tax rates and laws, as enacted or substantively enacted by the end of the reporting period.

As at December 31, 2020, the CREATE bill was still pending ratification by both the Philippine Congress and Senate, and consequently pending approval of the President of the Republic of the Philippines. As such, the Company has assessed that the proposed tax law is not enacted or substantively enacted as at December 31, 2020. For financial reporting purposes, the enactment of CREATE after December 31, 2020 is deemed a non-adjusting subsequent event.

PAS 10, Events After Reporting Period, indicated the change in tax rates as one of the non-adjusting subsequent events and therefore any impact of the new tax rates if enacted on or prior to financial statement release will only be disclosed in the 2020 financial statements as a subsequent event item. The impact of the revised CIT rates effective July 1, 2020 was recorded as an adjustment in 2021.

Deferred income tax (DIT) assets (liabilities), net as at December 31 consist of:

	Note	2021	2020
DIT assets			
Retirement benefit obligation		26,342,397	37,094,930
Allowance for impairment of receivables		13,843,537	19,083,254
Provision for loss on construction advances		6,130,272	7,356,326
Unrealized foreign exchange loss, net		965,823	560,182
Provision for tax assessment		-	204,537
Provision for impairment of investment		-	14,895
		47,282,029	64,314,124
DIT liabilities			
Lease liabilities		(356,535)	(149,925)
Discount on loans		(798,398)	-
Revaluation increment on property and equipment	6	(95,581,137)	(30,387,332)
		(96,736,070)	(30,537,257)
DIT assets (liabilities), net		(49,454,041)	33,776,867

The maturity of DIT assets and liabilities are as follows:

	2021	2020
DIT assets:		
Expected to be recovered within 12 months	20,939,632	27,219,194
Expected to be recovered more than 12 months	26,342,397	37,094,930
	47,282,029	64,314,124
DIT liabilities		
Expected to be settled within 12 months	(356,535)	(149,925)
Expected to be settled more than 12 months	(96,379,535)	(30,387,332)
	(96,736,070)	(30,537,257)
	(49,454,041)	33,776,867

Deferred income tax assets are recognized for tax loss carryforwards to the extent that the realization of the related tax benefit through the future taxable profits is probable. The details of unrecognized deferred income tax assets related to net operating loss carryover (NOLCO) for the years ended December 31, 2021 and 2020 which could be carried over as deductible expense from taxable income for three (3) to five (5) consecutive years following the year of incurrence are as follows:

Year of incurrence	Year of expiration	2021	2020
2018	2021	-	16,050,226
2019	2022	214,996,550	214,996,550
2020	2025	2,683,370	2,683,370
2021	2026	38,995,570	-
		256,675,490	233,730,146
Applicable tax rates		25%	30%
		64,168,873	70,119,042

Where higher than normal income tax, the individual companies in the Group are required to pay Minimum Corporate Income Tax (MCIT) equal to 2% of gross profit as required by the Tax Reform Act of 1997. This amount may separately be offset against normal income tax liabilities for the three (3) immediately succeeding taxable years. The details of deferred income tax asset on MCIT for the years ended December 31, 2021 which could be carried forward on an annual basis and credited against normal income tax payable within three (3) immediately succeeding years from the period when the MCIT was paid are shown below:

Year of incurrence	Year of expiration	2021	2020
2019	2022	5,403,066	5,403,066
2020	2023	4,898,181	6,530,908
2021	2024	3,688,060	-
		13,989,307	11,933,974

Realization of the future tax benefits related to the deferred income tax assets is dependent on many factors, including the companies' ability to generate taxable income within the NOLCO and MCIT period. Management has considered these factors in reaching its conclusion on the realizability of the deferred income tax assets. The Parent Company did not recognize deferred income tax assets in respect of its NOLCO and MCIT as it does not expect that future taxable profits will be available against which these can be utilized.

The movements in the Group's net DIT assets (liabilities) for the years ended December 31 are as follows:

	Notes	2021	2020
Beginning of year		33,776,867	24,452,501
DIT credited to profit or loss		(5,594,483)	10,189,011
DIT charged to other comprehensive income	6,20	(77,636,425)	(864,645)
End of year		(49,454,041)	33,776,867

Income tax expense (benefit) for the years ended December 31 is as follows:

	2021	2020	2019
Current	5,615,023	8,667,382	6,678,689
Deferred	5,594,483	(10,189,011)	(29,970,802)
	11,209,506	(1,521,629)	(23,292,113)

The reconciliation between income tax expense (benefit) computed at the statutory income tax rate and the actual income tax expense as shown in the statements of total comprehensive income for the years ended December 31 is summarized as follows:

	2021	2020	2019
Income tax (benefit) computed	(23,012,990)	(23,634,319)	(106,589,878)
Adjustments to income tax resulting from:			
Unrecognized NOLCO	9,905,558	805,011	60,638,636
Unrecognized deferred taxes	14,116,348	15,455,884	-
Effect of change in tax rates	9,371,707	-	-
Non-deductible expenses	5,346,744	16,982,720	17,187,413
Unrecognized MCIT	3,688,060	-	5,403,066
Final income tax expense	1,860,775	1,316,556	1,275,623
Non-deductible expenses under GIT	509,383	-	-
Unrecognized movement in deferred tax	7,187	23,040,821	3,686,828
Limitation on interest expense	5,069	-	79,097
Share in net income of associates	(5,069,514)	(26,929,383)	(4,775,072)
Non-taxable income due to income tax holiday	(5,496,923)	(8,511,554)	-
Interest income subjected to final tax	(21,898)	(47,365)	(197,826)
Income tax expense (benefit)	11,209,506	(1,521,629)	(23,292,113)

Critical accounting judgment

The recognition of DIT assets depends on management's assessment of adequate future taxable income against which the temporary differences can be applied. The Group reviews the carrying amounts of DIT assets at the end of each reporting period and recognizes the amount to the extent that it is probable that sufficient taxable profit will allow all or part of its DIT assets to be utilized. The Group's management believes that the DIT assets at the end of each reporting period will be fully realized other than on the Parent Company's MCIT and NOLCO, and ADGI's temporary difference resulting from allowance of bad debts, retirement benefit obligation, lease liability, premium on loans payable and unrealized foreign exchange gain (losses).

Note 24 - Foreign currency denominated monetary assets and liabilities

The Group's foreign currency monetary financial assets and liabilities are as follows:

	2021			2020			
	In USD	In JPY	In MYR	In USD	In JPY	In MYR	In Thai Baht
Assets							
Cash	328,062	1,229,155	-	2,083,575	2,114,237	29,976,696	-
Trade and other receivables	310,424	-	-	468,139	-	-	-
Advances to related parties	22,171	-	17,695,665	-	-	-	-
	660,657	1,229,155	17,695,665	2,551,714	2,114,237	29,976,696	-
Liabilities							-
Trade and other liabilities	(1,849,478)	(81,717,329)	-	(50,745,532)	(9,150,785)	(13,521,556)	-
Advances from related parties	-	-	-	(22,500)	-	(60,900,635)	(28,995)
Borrowings	-	(55,000,000)	-	-	-	-	-
	(1,849,478)	(136,717,329)	-	(50,768,032)	(9,150,785)	(74,422,191)	(28,995)
Net foreign currency assets (liabilities)	(1,188,821)	(135,488,174)	17,695,665	(48,216,318)	(7,036,548)	(44,445,495)	(28,995)
Year-end exchange rates	50.77	0.44	12.16	48.04	0.47	11.87	1.59
Peso equivalent	(60,361,197)	(59,614,797)	215,179,286	(2,316,311,917)	(3,307,178)	(527,568,026)	(46,102)

Foreign exchange loss, net presented under other income (loss) in the consolidated statements of total comprehensive income for the years ended December 31 consists of:

	Note	2021	2020	2019
Realized foreign exchange gain (loss)		1,435,008	(6,360,875)	(18,850,690)
Unrealized foreign exchange gain (loss)		(16,948)	(311,648)	(1,755,520)
	19	1,418,060	(6,672,523)	(20,606,210)

Net unrealized foreign exchange loss on borrowings presented under other income (loss), net in the consolidated statements of total comprehensive income for the year ended December 31, 2021 amounted to P264,670 (2020 - nil; 2019 - P28,546), which is presented as finance cost in the statement of comprehensive income.

Note 25 - Critical accounting estimates, assumptions and judgments

In preparing the Group's consolidated financial statements, management has made its best estimates and judgments of certain amounts, giving due consideration to materiality. The estimates and assumptions used in the accompanying consolidated financial statements are based upon management's evaluation of the relevant facts and circumstances as at the date of the consolidated financial statements.

The resulting accounting estimates will, by definition, seldom equal the related actual results. These estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates, assumptions and judgments that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed hereafter.

(a) Critical accounting estimates and assumptions

- Impairment of goodwill (Note 1.2)
- Recoverability of trade and other receivables (Note 3)
- Useful lives of property, plant and equipment (Notes 6 and 7)
- Revaluation of tugboats (Note 6)
- Retirement benefit obligation (Note 20)

(b) Critical judgments in applying the Group's accounting policies

- Determining control over investments with ownership of less than half of the entity's total equity (Note 1.3 and Note 5)
- Impairment of investment in associates (Note 5)
- Impairment of property, plant and equipment (Note 7)
- Decommissioning cost (Note 7)
- Impairment of investment properties (Note 9)
- Recoverability of input VAT (Note 10)
- Incremental borrowing rate (Note 22)
- Extension and termination options of lease agreements (Note 22)
- Determining lease terms (Note 22)
- Current and deferred income tax (Note 23)

Note 26 - Financial risk and capital management

26.1 Financial risk management

The Parent Company's BOD has the overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and manage the Group's exposure to financial risks, to set appropriate transaction limits and controls, and to monitor and assess risks and compliance to internal control policies. Risk management policies and structure are reviewed regularly to reflect changes in market conditions and the Group's activities. The main risks arising from the use of financial instruments are market risk, credit risk and liquidity risk. The Parent Company's BOD reviews and approves the policies for managing each of these risks.

26.2 Components of financial assets and liabilities

(a) Financial assets

The Group's financial assets as at December 31 are as follows:

	Notes	2021	2020
Cash	2	263,963,505	272,482,354
Trade and other receivables, gross*	3	1,065,929,590	802,332,987
Refundable deposits	4,10	4,010,369	3,902,556
Financial assets at fair value through other comprehensive income (FVOCI)	10	1,816,198	810,000
		1,335,719,662	1,079,527,897

**excluding advances to officers, employees and others subject to liquidation*

Trade and other receivables are presented gross of allowance for impairment amounting to P259,514,939 as at December 31, 2021 (2020 - P169,265,262) (Note 3).

Advances to employees amounting to P174,587,028 as at December 31, 2021 (2020 - P130,546,259) are considered non-financial assets as these are mainly subject to liquidation (Note 3).
Lease guarantee deposits amounting to P55,000 and P4,356,032 as at December 31, 2021 and 2020, respectively, are also considered as non-financial asset as these will be applied as final payment at the end of the lease term (Notes 10 and 22).

The other components of prepayments and other current assets and non-current assets are considered non-financial assets.

(b) Financial liabilities

The Group's financial liabilities as at December 31 are as follows:

	Notes	2021	2020
Trade and other payables	11	603,339,881	442,357,995
Short-term loans	12	522,271,500	498,000,000
Borrowings	12	3,571,165,941	3,592,760,833
Lease liabilities	22	38,603,347	40,632,828
		4,735,380,669	4,573,751,656

As at December 31, trade and other payables above exclude the following which are considered as non-financial liabilities:

	Note	2021	2020
Accrued construction costs	11	34,606,805	31,441,671
Unearned income	11	10,957,608	7,188,709
Payable to government agencies	11	5,125,573	5,661,705
		50,689,986	44,292,085

26.3 Market risk

(a) Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Most transactions are carried out in Philippine Peso, which is the Parent Company's functional currency. Exposures to currency exchange rates arise from the Group's overseas transactions, which are primarily denominated in United States Dollar (USD), Japanese Yen (JPY) and Malaysian Ringgit (MYR). The Parent Company also maintains

US Dollar-denominated bank accounts. Further, the Group has JPY payables from foreign suppliers, which have been used for the purchase of certain tugboats (Note 6) and maintains MYR bank accounts and receivables. To mitigate the Group's exposure to foreign currency risk, non-Philippine Peso cash flows are monitored on a regular basis.

The following table demonstrates the sensitivity to a reasonably possible change in the Philippine Peso exchange rate, with all other variables held constant, of the Parent Company's income before tax. There is no impact on the Parent Company's equity other than those already affecting the net income.

	2021			2020		
		Effect on income before tax				
Currency	Change in exchange rate	Increase	Decrease	Change in exchange rate	Increase	Decrease
USD	+/-5.39%	(3,435,211)	3,435,211	+/-5.23%	5,480,654	(5,480,654)
JPY	+/-6.24%	2,377,101	(2,377,101)	+/-2.17%	17,592	(17,592)
MYR	+/-4.13%	5,282,497	(5,282,497)	+/-3.34%	3,702,153	(3,702,153)

The reasonable possible changes in foreign exchange rates used in the sensitivity analysis are the rates of change in foreign currencies between the Philippine Peso equivalent at year end and thirty (30) days from reporting date, by which management is expected to receive or settle the Parent Company's most significant financial assets or liabilities, respectively.

(b) Price risk

The Group is exposed to equity securities price risk because of the Group's proprietary shares in golf and country club classified as financial assets at fair value through other comprehensive income in the consolidated statement of financial position.

As at December 31, 2021 and 2020, the Group's exposure to price risk is not considered significant.

(c) Cash flow and fair value interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial assets and liabilities will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial assets and liabilities will fluctuate because of changes in market interest rates.

The Group's financial liabilities are subject to fixed rates and are measured at amortized cost, hence not subject to repricing and independent of changes in market interest rates.

26.4 Credit risk

Credit risk arises from cash deposited in banks and financial institutions, as well as credit exposures on amounts receivable from customers, related parties and other parties. The Group provides services only to recognized, creditworthy third parties. Individual risk limits are set based on internal ratings in accordance with limits set by the Parent Company's BOD. The utilization of credit limits is regularly monitored. In addition, the Group's receivables are monitored on an ongoing basis and stringent collection policy enforced resulting in an insignificant exposure to bad debt.

The Group's financial assets are categorized based on the Group's collection experience with the counterparties as follows:

a. High performing - settlements are obtained from counterparty following the terms of the contracts without much collection effort.
b. Underperforming - more than 60 days past due but expected to be collected after some reminders/ follow ups.
c. Credit impaired - more than 360 days past due and unlikely to be collected despite reminders/follow ups.

The aging analysis of the Group's financial assets that are exposed to credit risks are as follows:

	Notes	Gross amount	High performing	Underperforming		Credit impaired
December 31, 2021						
Cash and cash equivalents	2	261,885,870	261,885,870	-	-	-
Trade and other receivables	3	1,097,784,035	653,731,420	147,199,811	10,819,979	286,032,825
Refundable deposits	4,10	4,010,369	4,010,369	-	-	-
		1,363,680,274	919,627,659	147,199,811	10,819,979	286,032,825
December 31, 2020						
Cash and cash equivalents	2	270,471,997	270,471,997	-	-	-
Trade and other receivables	3	802,332,987	534,881,101	57,662,373	16,898,414	192,891,099
Refundable deposits	4,10	3,902,556	3,902,556	-	-	-
		1,076,707,540	809,255,654	57,662,373	16,898,414	192,891,099

The maximum exposure to credit risk at the reporting date is equal to the carrying value of the financial assets summarized above.

None of the financial assets that are fully performing has been renegotiated in 2021 and 2020.

As at December 31, 2021 and 2020, the Parent Company holds a maritime lien over the ships owned and operated by a government-owned corporation as security for a receivable amounting to P2,536,663. The fair value of the maritime lien amounted to P12,025,458.

Credit quality of fully performing financial assets

(a) High performing

(i) Cash in banks

To minimize credit risk exposure, the Group deposits its cash in the following banks:

	2021	2020
Universal banks	98,167,137	249,417,237
Commercial banks	163,718,733	21,054,760
	261,885,870	270,471,997

The remaining item in cash presented in the consolidated statement of financial position pertains to cash on hand amounting to P2,077,635 as at December 31, 2021 (2020 - P2,010,357) (Note 2).

(ii) Trade and other receivables

There is no concentration of credit risk with respect to trade and other receivables as the Group has a large number of customers other than its energy business which only has one (1) customer. Presently, ongoing discussion are being made to address long outstanding balances. accordingly, the Group provided for allowance for bad debts amounting to P214,417,660 in 2021 (2020 - P122,702,320). To minimize credit risk, the Group transacts only with counterparties with good credit standing. As at December 31, 2021, trade and other receivables amounting to P653,731,420 (2020 - P534,881,101) are fully performing thus, collectible.

On that basis, the loss allowance from trade receivables as at December 31 was determined as follows:

	Current	Up to 6 months past due	6 to 12 months past due	Over 12 months past due	Total
2021					
Expected loss rate	Within 0% to 3%	Within 0% to 2%	Within 0% to 1%	56%	
Trade receivables	187,157,362	271,960,671	162,695,339	444,116,218	1,065,929,590
Loss allowance	5,895,210	6,403,042	758,854	246,457,833	259,514,939
2020					
Expected loss rate	Within 0% to 9%	Within 0% to 18%	Within 0% to 18%	100%	
Trade receivables	609,168,381	57,662,373	16,898,414	40,678,118	724,407,286
Loss allowance	127,214,144	866,047	506,953	40,678,118	169,265,262

(iii) Advances to officers, employees and others; Due from related parties

Advances to employees are collected through liquidation and salary deduction, thus, not a financial asset subject to credit risk.

Advances to officers and others and due from a related parties which mainly pertain to cash advances to the Company's officers and its related parties are subject to normal credit terms. Credit risk is minimized since the related party is paying on normal credit terms. Those identified to be uncollectible were fully provided and the expected credit loss on the remaining balance is expected to be immaterial.

(iv) Refundable deposits

Refundable deposits amounting to P4,010,369 as at December 31, 2021 (2020 - P3,902,556) pertain to deposits made to lessors for the lease of the Group's office space and warehouse, which are refundable at the end of the respective lease term.

(b) Underperforming

Underperforming trade and other receivables as at December 31, 2021 amounting to P158,019,860 (2020 - P74,560,787) are related to a number of independent customers with delay in payments but no history of default. Management has assessed based on credit worthiness and existing relationship with customers as well as historical experience that these accounts are fully collectible.

(c) Credit impaired

As at December 31, 2021, trade and other receivables amounting to P286,032,825 (2020 - P192,891,099) are impaired and have been fully provided for with allowance for impairment. The individually impaired receivable from customers relate to customers that are in unexpectedly difficult economic situations. These trade receivables were assessed by management as non-recoverable.

26.5 Liquidity risk

The Group manages liquidity risk by maintaining a balance between continuity of funding and flexibility. As part of its liquidity risk management, the Group regularly evaluates its projected and actual cash flows.

The table below analyzes the Group's financial liabilities into relevant maturity groupings based on the remaining period at reporting date to the contractual maturity date. Amounts disclosed in the table are the contractual undiscounted cash flows.

	Notes	Gross amount	Less than 3 months	3 to 12 months	More than one year
December 31, 2021					
Trade and other payables	11	603,339,881	574,300,480	13,791,050	15,248,351
Short-term loans	12	522,271,500	-	522,271,500	-
Borrowings	12	3,571,165,941	4,101,306	255,166,031	3,311,898,604
Future interest payable on short-term loans and borrowings		1,283,268,616	38,590,088	271,562,128	973,116,400
Lease liabilities	22	38,603,347	1,153,944	5,617,911	31,831,492
Future interest payable on lease liabilities		20,731,600	162,904	1,491,338	19,077,358
		6,039,380,885	618,308,722	1,069,899,958	4,351,172,205
December 31, 2020					
Trade and other payables	11	442,357,995	430,625,958	-	11,732,037
Short-term loans	12	498,000,000	-	498,000,000	-
Borrowings	12	3,587,038,714	254,874,408	655,662,884	2,676,501,422
Future interest payable on short-term loans and borrowings		948,571,657	50,254,760	160,717,751	737,599,146
Lease liabilities	22	40,632,828	1,290,560	3,754,358	35,587,910
Future interest payable on lease liabilities		22,605,476	251,777	1,414,154	20,939,545
		5,539,206,670	737,297,463	1,319,549,147	3,482,360,060

The Group expects to settle above financial liabilities in accordance with their contractual maturity.

Historically, maturing obligations are funded by cash flows from operating activities and through short term bank borrowings, as needed, hence, there is no perceived liquidity risks. Long term loans may be obtained only when there is a material capital expenditure.

As at December 31, 2021 and 2020, the Group has undrawn credit lines with local banks.

26.6 Capital management

The primary objective of the Group's capital management is to safeguard the Group's ability to continue its operations on a going concern basis in order to provide adequate return to its shareholders and maintain optimal capital structure to reduce cost of capital and lessen the need to obtain long-term borrowings and maximize shareholder value.

The Group manages its capital structure and makes the adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes as at December 31, 2021 and 2020.

The Group monitors capital on the basis of the carrying amount of equity as presented in the face of the consolidated statements of financial position.

As at December 31, the Group's debt-to-equity ratio is calculated as follows:

	2021	2020
Total debt	4,786,070,651	4,617,974,452
Total equity	1,246,264,055	1,156,591,120
Debt-to-equity ratio	3.84	3.99:1

As at December 31, 2020, the Parent Company has not complied with certain financial ratios including debt to equity and debt service cover ratio that resulted in the reclass of a portion of loans to current.

The Group computes its total debt as at December 31 as follows:

	Notes	2021	2020
Trade and other payables	11	654,029,867	486,650,080
Short-term loans	12	522,271,500	498,000,000
Borrowings	12	3,571,165,941	3,592,691,544
Lease liabilities	22	38,603,347	40,632,828
		4,786,070,655	4,617,974,452

The Group computes its total equity as at December 31 as follows:

	Notes	2021	2020
Share capital	13	907,857,870	907,857,870
Additional paid-in capital	13	121,632,762	121,632,762
Retained earnings (deficit) attributable to the owners of Parent Company		(32,194,999)	93,971,704
Financial asset at fair value through other comprehensive income		(160,000)	(160,000)
Treasury shares		(37,614,990)	(37,614,990)
Revaluation surplus, net of tax	6	286,743,411	70,903,774
		1,246,264,054	1,156,591,120

As part of the reforms of the PSE to expand capital market and improve transparency among listed firms, PSE has required listed entities to maintain a minimum of fifteen percent (15%) of their listed issued and outstanding shares to be held by public. The Group is compliant with respect to this requirement as at December 31, 2021 and 2020.

Note 27 - Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

27.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). The term PFRS, in general, includes all applicable PFRS, Philippine Accounting Standards (PAS), and interpretations of the Philippine Interpretations Committee (PIC), Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the Financial Reporting Standards Council (FRSC) and adopted by the SEC.

These consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of property and equipment - tugboats and fair value measurement of financial assets at fair value through other comprehensive income.

The preparation of consolidated financial statements in conformity with PFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are summarized in Note 26.

Changes in accounting policy and disclosures

(a) New accounting standards adopted by the company

There are a number of new accounting standards, amendments and interpretations that have been published that are mandatory for December 31, 2021 reporting periods.

- *Interest Rate Benchmark Reform Phase 2 - Amendments to PFRS 9 , PAS 39, PFRS 7, PFRS 4 and PFRS 16 (effective January 1, 2021)*

  In August 2020, the IASB made amendments to PFRS 9, PAS 39, PFRS 7, PFRS 4 and PFRS 16 to address the issues that arise during the reform of an interest rate benchmark rate, including the replacement of one benchmark with an alternative one.

  The Phase 2 amendments provide the following reliefs:

  - When changing the basis for determining contractual cash flows for financial assets and liabilities (including lease liabilities), the reliefs have the effect that the changes, that are necessary as a direct consequence of IBOR reform and which are considered economically equivalent, will not result in an immediate gain or loss in the income statement.
  - The hedge accounting reliefs will allow most PAS 39 or PFRS 9 hedge relationships that are directly affected by IBOR reform to continue. However, additional ineffectiveness might need to be recorded.

Affected entities need to disclose information about the nature and extent of risks arising from IBOR reform to which the entity is exposed, how the entity manages those risks, and the entity's progress in completing the transition to alternative benchmark rates and how it is managing that transition. Given the pervasive nature of IBOR-based contracts, the reliefs could affect companies in all industries.

- *Covid-19-related Rent Concessions - Amendments to PFRS 16 (effective June 1, 2020)*

  As a result of the COVID-19 pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. In May 2020, the IASB made an amendment to PFRS 16 Leases which provides lessees with an option to treat qualifying rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concessions as variable lease payments in the period in which they are granted. The Group has no lease concessions as at December 31, 2021.

None of these standards, amendments and interpretations have a significant impact on the Group's financial statements.

(b) New standards, amendments to existing standards and interpretations not yet adopted

There are new PFRS, interpretation, amendments and annual improvements to existing standards effective for annual periods subsequent to 2021. Management will adopt the following relevant pronouncements in accordance with their transitional provisions. None of those standards are expected to have a significant impact on the financial statements of the Group, but the more relevant ones are set out below:

- *Classification of Liabilities as Current or Non-current - Amendments to PAS 1 (January 1, 2023)*

  The narrow-scope amendments to PAS 1 Presentation of Financial Statements clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g. the receipt of a waver or a breach of covenant). The amendments also clarify what PAS 1 means when it refers to the 'settlement' of a liability.

  The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity.

  They must be applied retrospectively in accordance with the normal requirements in PAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

- *Property, Plant and Equipment: Proceeds before intended use - Amendments to PAS 16 (January 1, 2022)*

  The amendment to PAS 16 Property, Plant and Equipment (PP&E) prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment.

  Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities.

- *Reference to the Conceptual Framework - Amendments to PFRS 3 (January 1, 2022)*

  Minor amendments were made to PFRS 3 Business Combinations to update the references to the Conceptual Framework for Financial Reporting and add an exception for the recognition of liabilities and contingent liabilities within the scope of PAS 37 Provisions, Contingent Liabilities and Contingent Assets and Interpretation 21 Levies. The amendments also confirm that contingent assets should not be recognised at the acquisition date.

- *Annual Improvements to PFRS Standards 2018 - 2020 (January 1, 2022)*

  The following improvements were finalised in May 2020:
  - PFRS 9 Financial Instruments - clarifies which fees should be included in the 10% test for derecognition of financial liabilities.
  - PFRS 16 Leases - amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives.
  - PFRS 1 First-time Adoption of PFRS - allows entities that have measured their assets and liabilities at carrying amounts recorded in their parent's books to also measure any cumulative translation differences using the amounts reported by the parent. This amendment will also apply to associates and joint ventures that have taken the same PFRS 1 exemption.

- *Disclosure of Accounting Policies - Amendments to PAS 1 and PFRS Practice Statement 2 (effective January 1, 2023)*

  The IASB amended PAS 1 to require entities to disclose their *material* rather than their significant accounting policies. The amendments define what is 'material accounting policy information' and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information.

  To support this amendment, the IASB also amended PFRS Practice Statement 2 Making Materiality Judgements to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

- *Definition of Accounting Estimates - Amendments to PAS 8 (effective January 1, 2023)*

  The amendment to PAS 8 Accounting Policies, Changes in Accounting Estimates and Errors clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, but changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period.

- *Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to PAS 12 (effective January 1, 2023)*

  The amendments to PAS 12 *Income Taxes* require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations and will require the recognition of additional deferred tax assets and liabilities.

The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognise deferred tax assets (to the extent that it is probable that they can be utilised) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with:

- right-of-use assets and lease liabilities, and
- decommissioning, restoration and similar liabilities, and the corresponding amounts recognised as part of the cost of the related assets.

The cumulative effect of recognising these adjustments is recognised in retained earnings, or another component of equity, as appropriate. PAS 12 did not previously address how to account for the tax effects of on-balance sheet leases and similar transactions and various approaches were considered acceptable. Some entities may have already accounted for such transactions consistent with the new requirements. These entities will not be affected by the amendments.

None of these standards are expected to have a significant impact on the financial statements of the Group.

27.2 Consolidation

(a) Business combination

The Group applies the purchase or acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with PFRS 9 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is not accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

(b) Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has a right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The subsidiary is fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date the control ceases.

Intercompany transactions, balances and unrealized gain on transactions between Parent Company and its subsidiaries are eliminated.

When the Group ceases to have control, any retained interest in the subsidiary is re-measured to its fair value at the date when control is lost, with the change in carrying amount generally recognized in profit or loss. The fair value is the initial carrying amount for purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

If the Group surrenders control to a related party within the Group it ultimately belongs, the difference between the consideration received and the fair value of the subsidiary at divestment date, is recognized within equity.

(c) Associate

An associate is an entity over which the Group is able to exert significant influence, but which is neither a subsidiary nor a joint venture. Investment in associate is initially recognized at cost and subsequently accounted for using the equity method.

Under the equity method, the carrying amount of the investment in associate is increased or decreased to recognize the Group’s share of the net earnings (losses) and other comprehensive income of the associates after the date of acquisition. The Group's share in the net earnings (losses) and other comprehensive income of the associates is recognized in the Group’s profit or loss. Items that have been directly recognized in the associates’ equity are recognized in equity of the Group. Distributions received from the associates reduce the carrying amount of the investment.

If the Group’s share in net losses of associates equals or exceeds its interest in the associates, the Group will discontinue recognizing its share of further losses. The interest in an associate is the carrying amount of the investment in the associate under the equity method together with any long-term interests that, in substance, form part of the Group’s net investment in the associate.

After the Group’s interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognizing its share of those net earnings only after its share of the earnings equals the share of losses not recognized.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount adjacent to ‘share of profit (loss) of an associate’ in profit or loss.

Investment in associate is derecognized when the risk and rewards of ownership have been transferred or extinguished. When the investment in associate is derecognized, its cost and related impairment, if any, are eliminated from the accounts.

27.3 Goodwill

Goodwill is initially measured as the excess of the aggregate of the consideration transferred (including the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquire) over the fair value of the Group’s share of the identifiable net assets acquired. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, in the case of a bargain purchase, the difference is recognized directly in profit or loss.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units (CGUs), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognized immediately as an expense and is not subsequently reversed.

27.4 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, deposits held at call with banks and other short-term, highly liquid investments with original maturities of three months or less from date of acquisition. Deposits held at call with banks earn interest at the prevailing bank interest rate. These are carried at amortized cost.

27.5 Investments and other financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity of another entity. The Group recognizes a financial instrument in the consolidated statements of financial position, when and only when, the Group becomes a party to the contractual provisions of the instrument.

Financial assets

(a) Classification

The Group classifies its financial assets in the following categories:

- those to be measured subsequently at fair value (either through other comprehensive income (OCI) or through profit or loss), and
- those to be measured at amortized cost

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. The Group only holds financial assets classified as financial assets at amortized cost as at December 31, 2021 and 2020 which comprise cash and cash equivalents (Note 27.4), trade and other receivables (Note 27.8), advances to related parties (Note 27.28), financial assets at fair value through other comprehensive income and refundable deposits in the consolidated statements of financial position.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value.

Subsequent to initial recognition, measurement depends on the Group's business model for managing the asset and cash flow characteristic of the asset. For financial assets at amortized cost, interest income, if any, from these financial assets is included within other income in the statement of total comprehensive income using the effective interest rate method. Impairment losses are presented as separate line item in profit or loss.

Where the Group's management has elected to present fair value gains and losses on investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss when the Group's right to receive payments is established.

(d) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Impairment loss is recognized in profit or loss and the carrying amount of the asset is reduced through the use of an allowance. The Group applies the ECL model to measure the impairment for all financial assets at FVOCI and at amortized costs.

The Group calculates the allowance for credit losses by considering on a discounted basis the cash shortfalls it would incur in various default scenarios for prescribed future periods and multiplying the shortfalls by the probability of each scenario occurring. ECL are measured through an allowance at an amount equal to:

- the 12-month ECL (that result from those default events on the financial instrument that are possible within 12 months after the reporting date); or
- full lifetime ECL (that result from all possible default events over the life of the financial instrument).

<u>Financial liabilities</u>

(a) Classification

The Group classifies its financial liabilities in the following categories: financial liabilities at fair value through profit or loss (including financial liabilities held for trading and those that designated at fair value); and other financial liabilities. As at December 31, 2021 and 2020, the Group's financial liabilities are limited to other financial liabilities at amortized cost.

The Group's trade and other payables (excluding payable to government agencies, unliquidated expenses and unearned income) (Note 27.14), advances from related parties (Note 27.28), short-term loans and borrowings (Note 27.16), lease liabilities (Note 27.26) are classified under other financial liabilities at amortized cost (Note 27.15).

Issued financial instruments or their components, which are not designated at fair value through profit or loss, are classified as other financial liabilities, where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder. Other financial liabilities include accrued expenses. These are included in current liabilities except for maturities greater than 12 months after the reporting period which are classified as non-current liabilities.

(b) Initial recognition and derecognition

Financial liabilities are initially recognized at fair value of the consideration received plus directly attributable transaction costs. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

(c) Subsequent measurement

Other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate.

27.6 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

The Parent Company has the right to offset intercompany payables and receivables as at December 31, 2021. Total intercompany receivables offset against payables amounts to P64,388,861 in 2021 (2020 - P72,798,902).

27.7 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Group classifies its fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.

The fair value of assets and liabilities that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the asset or liability is included in Level 2.

If one or more of the significant inputs is not based on observable market data, the asset or liability is included in Level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

The Group's financial asset at FVOCI with quoted market price is valued using Level 1 of the fair value hierarchy.

The Group has no other significant financial assets and liabilities carried at fair value.

The carrying amount of significant financial assets and liabilities, except borrowings (Note 27.5) and lease liabilities (Note 27.26) approximates their fair value as the impact of discounting is not considered significant considering that the remaining significant financial assets and liabilities generally have short term maturity.

For non-financial assets, the Group uses valuation techniques that are appropriate in the circumstances and applies the technique consistently. Commonly used valuation techniques are as follows:

- Market approach - A valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable (i.e., similar) assets, liabilities or a group of assets and liabilities, such as a business.
- Income approach - Valuation techniques that convert future amounts (e.g., cash flows or income and expenses) to a single current (i.e., discounted) amount. The fair value measurement is determined on the basis of the value indicated by current market expectations about those future amounts.
- Cost approach - A valuation technique that reflects the amount that would be required currently to replace the service capacity of an asset (often referred to as current replacement cost).

The Group's tugboats are valued using Level 2 of the fair value hierarchy. The fair value of tugboats were determined using cost approach where valuation performed are based on cost of reproduction of new vessel, accumulated depreciation, character and utility of the vessel (Note 6).

The Group determines the fair value of its investment properties, which is carried at cost (Note 9), using Level 2 of the fair value hierarchy by direct comparison approach with reference to open market of similar properties with consideration of the location, property size, physical features and economic factors.

The Group has no other significant non-financial assets and liabilities carried at fair value.

27.8 Trade and other receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less, these are classified as current assets. If not, these are presented as non-current assets.

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using effective interest method, less provision for impairment.

The carrying amount of the receivable is reduced through the use of an allowance account, and the amount of loss is recognized as net impairment losses on financial assets in the statements of total comprehensive income. When a receivable remains uncollectible after the Group has exerted all legal remedies, it is written off against the allowance account for receivables. If in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in profit or loss.

Reversal of previously recorded impairment provision are based on the result of management's update assessment, considering the available facts and changes in circumstances, including but not limited to results of recent discussions and arrangements entered into with customers as to the recoverability of receivables at the end of the reporting period. When a receivable remains uncollectible after the Group has exerted all legal remedies, it is written-off against the allowance account for receivables. Subsequent recoveries of the amounts previously written off are credited to general and administrative expenses in profit or loss.

Other relevant policies including impairment on receivables are disclosed in Note 27.5.

27.9 Prepayments and other assets

Prepayments are recognized in the consolidated statement of financial position in the event that payment has been made in advance of obtaining right of access to goods or receipt of services and measured at nominal amounts.

Other assets consist substantially of input value-added taxes (VAT) and leasehold rights.

Input VAT are recognized as assets in the period such input VAT become available as tax credits to the Group and carried over to the extent that it is probable that the benefit will flow to the Group.
A provision for unrecoverable input VAT is established when there is objective evidence that the Group will not be able to recover the claims. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in profit or loss within general and administrative expenses.

Leasehold rights are recognized at cost which approximates purchase price or total consideration. Leasehold rights with definite life are amortized over the period of the contract while leasehold rights that have indefinite life, are carried at cost less impairment, if any.

Prepayments and other assets are included in current assets, except when the related goods or services are expected to be received or rendered more than twelve months after the reporting period which are classified as non-current assets.

Prepayments are derecognized in the consolidated statement of financial position upon receipt of goods or services, through amortization over a certain period of time, and use or consumption.

Input VAT are derecognized when applied against output or when written off.

27.10 Property, plant and equipment

All property, plant and equipment are carried at cost less accumulated depreciation and any impairment except for tugboats which are carried at revalued amounts.

Tugboats are initially recognized at cost. Subsequently, tugboats are carried at revalued amounts, which is the fair value at date of revaluation less any subsequent accumulated depreciation and accumulated impairment losses. The Parent Company engages external, independent and qualified valuers to determine the fair value of the Parent Company's tugboats once every 3-5 years. Increases in the carrying amounts arising on revaluation of tugboats are recognised, net of tax, in other comprehensive income and revaluation surplus, net of tax, in shareholders' equity. To the extent that the increase reverses a decrease previously recognised in profit or loss, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the same asset are first recognised in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to profit or loss.

Each year, the Group transfers from revaluation surplus reserve to retained earnings the difference between the depreciation charges calculated based on the revalued amount and the depreciation charge based on the assets' historical cost.

The profit or loss on disposal of a revalued asset is determined as the difference between the net disposal proceeds and the carrying amount of the asset. On disposal of the revalued asset, the relevant revaluation surplus included in equity is transferred directly to retained earnings.

All other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which these are incurred.

Dry docking cost represents major inspection and overhaul costs and is depreciated to reflect consumption benefits which is to be replaced or restored by the subsequent dry docking generally every two (2) years. The Group has included these dry docking expenses as part of tugboat component.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their costs or revalued amounts to their residual values over their estimated useful lives (in years), as follows:

Tugboats	8 to 26
Barges	10 to 37
Building and building improvements	10
Transportation equipment	5
Construction equipment	5
Diving and oil spill equipment	3 to 5
Furniture, fixtures and leasehold improvements	3 to 4

Construction in-progress is stated at cost. This includes cost of construction and other direct costs. Construction in-progress is not depreciated until such time as the relevant assets are completed and are available for use. Tugboats under construction is classified as "Property, plant and equipment at cost" and subsequently transferred to "Property and equipment at revalued amounts" upon completion.

Leasehold improvements are amortized over the estimated useful life of the improvements, which is shorter than the lease term, considering the renewal option.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 27.13).

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal at which time the cost, appraisal increase and their related accumulated depreciation are removed from the consolidated statement of financial position. Any gains and losses on disposals of an asset as cost are determined by comparing proceeds with carrying amount and are recognized in profit or loss.

27.11 Computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs will be amortized over its estimated useful lives of five (5) years from the start of its use. Costs associated with maintaining computer software programs are recognized as an expense as incurred.

Computer software is derecognized upon disposal or when no future economic benefits are expected from its use or disposal at which time the cost and the related accumulated amortization are removed from the consolidated statement of financial position. Any gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the assets and are recognized in profit or loss.

Relevant disclosures for Group's accounting policies on impairment of computer software are discussed in Note 27.13.

27.12 Investment property

Investment property is recognized as an asset, when it is probable that the future economic benefits that are associated with the investment property will flow to the Group and the cost of the asset can be measured reliably.

Investment properties consist of land in various locations. Land is initially recognized at cost and subsequently carried at cost less any impairment losses. Land is not depreciated.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation and commencement of an operating lease to another party. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sell.

For a transfer from investment property to owner-occupied property or inventories, the deemed cost of property for subsequent accounting is its carrying amount at the date of change in use. If the property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Investment property is derecognized when it has either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal. Gains or loss on derecognition of an investment property is calculated as the difference between any disposal proceeds and the carrying amount of the related asset and is recognized in profit or loss in the year of derecognition.

27.13 Impairment of non-financial assets

Non-financial assets that have an indefinite useful life, such as land, are not subject to amortization and are tested annually for impairment. Other non-financial assets, mainly property, plant and equipment, computer software, investment properties, input VAT, investment in associate and leasehold rights, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Impairment losses, if any, are recognized in profit or loss as part of general and administrative expenses.

When impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount should not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. Reversals of an impairment loss are credited to the provision account in profit or loss.

27.14 Trade and other payables

Trade and other payables are recognized in the period in which the related money, goods or services are received or when a legally enforceable claim against the Group is established or when the corresponding assets or expenses are recognized. These are classified as current liabilities if payment is due within one year or less. If not, these are presented as non-current liabilities.

Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost using effective interest method.

These are derecognized when extinguished or when the obligation is discharged, cancelled, or has expired.

Other relevant policies on trade and other payables are disclosed in Note 27.5.

27.15 Borrowings and borrowing cost

(a) Borrowings

Borrowings are measured initially at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Borrowings are derecognized when the obligation is settled, paid or discharged.

A substantial modification of the terms of an existing financial liability or a part of it shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Where the terms of a financial liability are modified, a gain or loss is recognized in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate. If the modification of the terms of borrowings is accounted for as an extinguishment, any costs or fees incurred are recognized as part of the gain or loss on extinguishment. If the modification of the terms of borrowings is not accounted for as an extinguishment, any cost or fees incurred adjust the carrying amount of the liability and are amortized over the remaining term of the modified liability.

Where the terms of the borrowings are renegotiated, a gain or loss is recognized in the profit or loss, which is measured as the difference between the carrying amount of the financial liability and the

(b) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset, if any, are capitalized during the period of time that is required to complete and prepare the asset for its intended use.

All other borrowing costs are recognized in profit or loss in the period in which these are incurred.

27.16 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognized for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed and derecognized from the consolidated statement of financial position.

27.17 Current and deferred income tax

The tax expense for the year comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax (DIT) is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, DIT is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. DIT is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related DIT asset is realized or the DIT liability is settled.

DIT assets are recognized for all deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

DIT liabilities are recognized in full for all taxable temporary differences, except to the extent that the DIT liability arises from the initial recognition of goodwill. DIT liabilities are provided on taxable temporary differences arising from investments in subsidiaries and associates, except for DIT liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally, the Group is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference not recognized.

DIT assets are recognized on deductible temporary differences arising from investments in subsidiaries and associates only to the extent that it is probable that the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilized.

Specifically, DIT is provided on the temporary difference between the carrying amount of the revalued property, plant and equipment and its tax base. Any taxable temporary difference reflects the tax consequences that would follow from the recovery of the carrying amount of the asset through sale (non-depreciable assets) and through use (depreciable assets), using the tax rate applicable to the taxable amount derived from the sale of a non-depreciable capital or ordinary asset or the tax rate applicable during the years the asset is utilized.

DIT assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the DIT assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

The Group re-assesses at each reporting date the need to recognize a previously unrecognized DIT asset, if any.

DIT assets and liabilities are derecognized when the related temporary difference are realized or settled.

27.18 Employee benefits

The Group provides short-term, retirement and terminal benefits to its employees. The Group did not grant any stock options or share based payments to its officers and employees.

(a) Other short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

(b) Retirement benefit obligations

Defined benefit plans is defined as an amount of retirement benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognized in respect of defined benefit retirement plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, if any. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related retirement obligation.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in unrestricted earnings in the period in which these arise.

Past service costs are recognized immediately in profit or loss.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in personnel cost (Note 18) in profit or loss.

(c) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognizes costs for a restructuring that is within the scope of PAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

27.19 Share capital

Common shares, recognized at par value, are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds, net of tax.

When the shares are issued 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 Group, 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.

Where any member of the Group purchases the Group's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Group's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Group's equity holders.

27.20 Other comprehensive income

Other comprehensive income comprises items of income and expense (including items previously presented under the consolidated statement of changes in equity) that are not recognized in profit or loss for the year in accordance with PFRS.

27.21 Retained earnings (deficit)

Retained earnings (deficit) represent the accumulated profit or loss arising from the operations of the Group and reserves for remeasurement on retirement benefit obligation less any dividends declared by the Parent Company.

Appropriation of retained earnings is recognized based on the provisions of the Corporation Code of the Philippines and by approval of the Parent Company's BOD. The Parent Company's BOD releases retained earnings from the appropriation when the purpose of such appropriation has been completed.

27.22 Dividend distribution

Dividend distribution to the Parent Company's shareholders is recognized as a liability in the consolidated financial statements in the period in which the dividends are approved by the Parent Company's BOD.

27.23 Foreign currency transactions and translation

(a) Functional and presentation currency

Items included in the consolidated financial statements of the Group are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The consolidated financial statements are presented in Philippine Peso, which is the Parent Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into Philippine Peso using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss. All foreign exchange gains and losses except for foreign exchange loss on borrowings are presented in profit or loss within other income (expense), net. Foreign exchange gains and losses from borrowings are presented as part of finance cost in profit or loss.

(c) Subsidiary

The results and financial position of the subsidiary, (which has no currency of a hyperinflationary economy), that has a functional currency different from the presentation currency are translated into the presentation currency as follows:

i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the reporting date;
ii) Income and expenses for each statement of income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
iii) All resulting exchange differences are recognized as cumulative translation differences as a separate line item under equity.

As at December 31, 2021, cumulative loss on translation differences recognized in equity amounted to P7,874,394 (2020 - P6,580,388).

27.24 Revenue recognition

Revenue is measured based on the consideration specified in a contract with customer. The Group recognizes revenue when it transfers control over service to a customer.

(a) Sale of services

The Group provides (i) harbor assistance, (ii) lighterage services (iii) towing services and (iv) salvage income. These services are provided on a time-basis or as a fixed-price contract, net of any subsequent discounts. Discounts are considered as part of the transaction price when granting such is highly probable. Contract terms of services are generally range from less than a year. Revenue from providing services is recognized in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognized based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously.

(b) Revenue on generation and sale of solar energy

The Group is engaged in the generation and sale of solar energy. Revenue is recognized monthly based on the transmission of solar energy to its sole customer. Revenue is recognized when the solar energy is delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. Revenue is also recognized based on the price agreed with the costumer and is only recognized to the extent that it is probably that a significant reversal will not occur. No element of financing is deemed present as the sale are made with a credit of ten (10) to 15 days.

(c) Revenue/Income on construction contracts

A construction contract is a contract specifically negotiated for the construction of an asset or combination of assets that are closely interrelated or interdependent in terms of their design and function or their ultimate purpose or use.

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognized over the period of the contract by reference to the stage of completion. Contract costs are recognized as expenses by reference to the stage of completion of the contract activity at the end of the accounting period.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable. Variations in contract work, claims and incentive payments are included in contract revenue to the extent that may have been agreed with the customer and are capable of being reliably measured.

The Group uses the 'percentage of completion method' to determine the appropriate amount to recognize in a given period. The stage of completion is measured by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. These are presented as inventories, prepayments or other assets, depending on their nature.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized immediately in profit or loss as part of cost of construction contracts, with a corresponding credit to allowance. The amount of such loss is determined irrespective of whether or not work has commenced on the contract, the stage of completion of contract activity, or the amount of profits expected to arise on other contracts, which are not treated as a single construction contract.

Changes in contract performance, contract conditions and estimated profitability, including those arising from contract penalty provisions and final contract settlements which may result in revisions to estimated costs and gross margins will be recognized in the year in which the changes are determined.

Progress payments received under the construction contracts are deducted from contract assets as the contract is completed. Progress payments received before corresponding work has been performed (or in excess of percentage of completion) are presented as advances from customers under trade and other payable in the consolidated statement of financial position.

The Group recognizes on a net and gross basis when it satisfies its promise to facilitate the service over a period of time when it is not a principal in a contract and acting as the principal in a contract, respectively. The Group is not the principal for construction contracts, wherein the Group does not control the service before it is transferred to a customer and the Group is also is not solely responsible for the service and discretion in establishing contract prices.

(d) Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

(e) Contract assets and liabilities

Lighterage services are normally billed to the customer one month in advance. The customer pays the fixed amount based on the billing. If the performance obligations fulfilled by the Group exceed the total payments received to date, a contract asset is recognized. If the total payments received to date exceed the performance obligation fulfilled, a contract liability is recognized and is presented as unearned revenue. The contract assets are transferred to receivables when the Group's rights to the contract consideration become unconditional. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Other income

(a) Interest income

Interest income is recognized in profit or loss on a time-proportion basis using the effective interest method. Interest income from cash in banks and short-term placements is presented net of final taxes paid and withheld.

(b) Dividend income

Dividend income is recognized in profit or loss when the right to receive payment is established.

27.25 Costs and expenses

Costs and expenses are recognized:

(a) on the basis of a direct association between the costs incurred and the earning of specific items of income;
(b) on the basis of systematic and rational allocation procedures (i.e. when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined); or
(c) immediately and as incurred (i.e. when an expenditure produces no future economic benefits or when, and to the extent that future economic benefits do not qualify, or cease to qualify, for recognition in the consolidated statement of financial position).

Costs and expenses are presented in the profit or loss according to their function.

27.26 Leases where Group is a lessee

Assets and liabilities arising from a lease are initially measured on a present value basis. The interest expense is recognized in the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is amortized over the shorter of the asset's useful life and the lease term on a straight-line basis.

(a) Measurement of lease liabilities

Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for the Group's leases, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received,
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held for entities which do not have recent third party financing, and
- makes adjustments specific to the lease (i.e. term, currency and security).

Lease payments are allocated between principal and interest expense. The interest expense is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

(b) Measurement of right-of-use assets

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally amortized over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use assets are amortized over the underlying asset's useful life.

(c) Extension and termination options

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is revised only if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

(d) Short-term leases and leases of low-value assets

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in the profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

27.27 Earnings per share

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Parent Company by the weighted average number of common shares in issue during the year, excluding common shares purchased by the Parent Company and held as treasury shares. In a capitalisation or bonus issue or a share split, common shares are issued to existing shareholders for no additional consideration. Therefore, the number of common shares outstanding is increased without an increase in resources. The number of common shares outstanding before the event is adjusted for the proportionate change in the number of common shares outstanding as if the event had occurred at the beginning of the earliest period presented.

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of common shares outstanding to assume conversion of all dilutive potential common shares. The Parent Company has two possible categories of dilutive potential common shares: convertible debt and share options. The Parent Company has no convertible debt nor share options as at December 31, 2021, 2020 and 2019.

27.28 Related party relationships and transactions

Related party relationship exists when one party has the ability to control, directly, or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationship also exists between and/or among entities which are under common control with the reporting enterprise, or between and/or among the reporting enterprise and its key management personnel, directors, or its shareholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.
Related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

27.29 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Management Committee that makes strategic decisions, under the policies adopted by the BOD.

As at December 31, 2021 and 2020, the Group has two (2) operating business segments which pertains to revenue and related economic activities arising from harbor assistance including those of Jetty construction services and renewable energy. In 2017, the Group started to venture into renewable energy by establishing HSEC and acquiring ADGI, then ADF1 and ADF2 in 2018.

Below are the segments of the Group:

As at and for the year ended December 31, 2021

	Harbor assistance	Renewable energy	Elimination	Total
Revenue	1,607,698,208	301,641,340	-	1,909,339,548
Segment result	109,584,985	4,427,860	(11,031,043)	102,981,802
Share in net profit of associate	20,278,057	-	-	20,278,057
Finance costs	(168,382,240)	(101,679,434)	-	(270,061,674)
Income tax expense	(11,209,506)	-	-	(11,209,506)
Loss for the year	(49,728,704)	(97,251,574)	(11,031,043)	(158,011,321)
Segment assets	4,913,775,959	2,907,718,566	(1,612,248,752)	6,209,245,773
Segment liabilities	(3,504,820,722)	(2,957,786,784)	1,512,281,393	(4,950,326,113)
Capital expenditures	272,037,935	53,304	-	272,091,239
Depreciation and amortization	347,834,822	90,224,517	-	438,059,339
Non-cash expenses other than depreciation and amortization	-	-	-	-

As at and for the year ended December 31, 2020

	Harbor assistance	Renewable energy	Elimination	Total
Revenue	1,377,142,931	305,407,480	-	1,682,550,411
Segment result	27,522,634	79,199,554	(776,962)	105,945,226
Share in net profit of associate	82,309,037	-	-	82,309,037
Finance costs	(183,104,891)	(91,600,971)	-	(274,705,862)
Income tax benefit	1,521,629	-	-	1,521,629
Loss for the year	(71,751,591)	(12,401,417)	(776,962)	(84,929,970)
Segment assets	4,757,347,127	2,758,444,752	(1,601,780,347)	5,914,011,532
Segment liabilities	(3,531,937,586)	(2,711,261,391)	1,492,565,974	(4,750,633,003)
Capital expenditures	77,400,444	74,643	-	77,475,087
Depreciation and amortization	366,369,722	88,569,377	(8,232,535)	446,706,564
Non-cash expenses other than depreciation and amortization	-	-	-	-

27.30 Reclassification

Advances from related parties amounting to P700,000 for the year ended December 31, 2020 was reclassified from trade payables, net of current portion in the consolidated statement of financial position to align with current year presentation. The reclassification did not impact previously reported net income, retained earnings and cash flows, thus no third balance sheet was presented.

Note 28 - Impact of Coronavirus disease (Covid-19)

Subsequent to the outbreak of the Coronavirus Disease 2019 ("COVID-19 pandemic") in early 2020, a series of measures to curb the COVID-19 outbreak has been and continues to be implemented in countries where the Group and its related parties operates. The Group has taken appropriate measures to preserve the health and safety of its employees and stakeholders as well as the business operations and in compliance with government mandated issuances and regulations.

The pandemic has resulted in limited operations of the TUG's business as a result of government-imposed restrictions in the country starting March 17, 2020 leading to a slow down of the Group's service income. In 2021, recovery was seen as government-imposed restrictions were slowly lifted. Service income has improved in 2021 as compared to 2020. However, the quarantine restrictions brought about by the pandemic continue to affect the capacity of customers to pay their outstanding balances and thereby increasing the number of overdue accounts. This led to the increase in the recognition of net impairment of trade receivables amounting to P99.7 million in 2021. The Group also entered into loan restructuring agreements with a local banks.

All the customers are operational as of this writing, and management continues to monitor and improve collections. Despite operations beginning to normalize during the third quarter of the year, the Group's operations in 2021 still resulted in a net loss of P158.0 million.

It is currently difficult to determine what the ultimate magnitude of the pandemic will be and what will be its effects on the Company's financials. This will depend, among other things, on the further spread of the virus, the inoculation and effectiveness of vaccination, and how long the restrictive measures adopted by the government will be kept in place.

The Group is closely monitoring the status of the COVID-19 pandemic and its continuing impact on its business operations. Nonetheless, management has appropriately considered the impact of the pandemic in determining the recoverability of its assets and sufficiency of provisions as at December 31, 2021 and along with this, will continue to address the issues that directly affect its business operations and is optimistic and expects that the COVID-19 pandemic would not have a significant long-term impact on the Group's financials.

SECOND SECTION

Second Section

Schedules	Supplementary Schedules	Remarks
A	Financial Assets	Schedule A
B	Amounts Receivable and Payable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related parties)	Schedule B
C	Amounts Receivable and Payable from Related Parties which are eliminated during the consolidation of financial statements	Schedule C
D	Long-term Debt	Schedule D
E	Indebtedness to Related Parties	Schedule E
F	Guarantees of Securities of Other Issuers	Schedule F
G	Share Capital	Schedule G
Annex 68-C	Reconciliation of Parent Company's Retained Earnings Available for Dividend Declaration	Annex 68-C
Annex 68-H	A Map Showing the Relationship between and among the Parent Company and its Ultimate Parent Company, Middle Parent, Subsidiaries or Co-subsidiaries and Associate	Annex 68-H
	Schedule of Financial Soundness Indicator	

SCHEDULE A

Harbor Star Shipping Services, Inc. and Subsidiaries

Financial Assets
December 31, 2021

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	Value based on market quotations at end of reporting period	Income received and accrued
Financial assets at amortized cost				
Cash on hand and in banks	-	263,963,505	-	108,971
Trade and other receivables	-	1,065,929,590	-	-
Refundable deposits	-	4,010,369	-	-
	-	1,333,903,464	-	108,971
Financial asset at fair value through other comprehensive income				
Investment in BDO Short Term Fund	8,998	1,006,198	-	-
Investment in golf shares- Rancho Palos Verdes Golf and Country Club	-	810,000	-	-
Total	8,998	1,335,719,662	-	108,971

SCHEDULE B

Harbor Star Shipping Services, Inc. and Subsidiaries

Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders
(Other than Related Parties)
December 31, 2021
(All amounts in Philippine Pesos)

Name of designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written-off	Current	Balance at end of the period
Bella, Geronimo Dela Paz (President)	45,266,912	8,272,675	(35,619,535)	-	17,920,052	17,920,052
Bella, Ricardo Rodrigo Dela Paz (Vice President)	31,315,531	5,501,232	(28,022,897)	-	8,793,866	8,793,866
Bella, Virginia May Dela Paz (Corporate Secretary)	-	182,956	(198,800)	-	(15,844)	(15,844)
Caranzo, Lorenzo Cabanlit (Director)	-	3,931,617	(930,905)	-	3,000,712	3,000,712
Refil, Elionarda Liu (Director)	-	399,148	(424,978)	-	(25,830)	(25,830)
Rodriguez, Ignatius Alafriz (Corporate Secretary)	1,343,258	6,044,020	(5,205,789)	-	2,181,489	2,181,489
	77,925,701	24,331,648	(70,402,904)	-	31,854,445	31,854,445

SCHEDULE C

Harbor Star Shipping Services, Inc. and Subsidiaries

Amounts Receivable from Related Parties which are Eliminated
during Consolidation of Financial Statements
December 31, 2021
(All amounts in Philippine Pesos)

Name of designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written-off	Current	Balance at end of the period
Advances to related parties						
Peak Flag SDN BHD	208,088,935	70,273,178	(63,158,058)	-	215,204,055	215,204,055
Astronergy Development Gensan Inc.	321,652,999	32,944,292	(2,187,662)	-	352,409,629	352,409,629
Astronergy Development F1, Inc.	268,820	79,907	-	-	348,727	348,727
Astronergy Development F2, Inc.	268,695	84,611	-	-	353,306	353,306
Harbor Star Subic Corp.	223,772,861	16,807,522	(27,672,537)	-	212,907,846	212,907,846
Harbor Star Energy Corporation	594,054,996	32,552,493	-	-	626,607,489	626,607,489
Harbor Star Construction Corporation	-	525,755	-	-	525,755	525,755
Harbor Star East Asia (Myanmar) Ltd.	1,139,136	2,345,461	(1,219,773)	-	2,264,824	2,264,824
	1,349,246,442	155,613,219	(94,238,030)		1,410,621,631	1,410,621,631

SCHEDULE D

Harbor Star Shipping Services, Inc. and Subsidiaries

Long-term Debt
December 31, 2021

Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption "current portion of long-term debt" in related statement of financial position	Amount shown under caption "long-term debt" in related statement of financial position"	Notes
Bank borrowings	1,584,900,000	1,233,375	1,626,874,758	DBP restructured cash loan, interest at 6.00% per annum, interest and principal amortization payable quarterly starting October 2022, matures on April 19, 2033. Amounts classified as current and non-current portion include balance of premium on loans amounting to P 43,208,133 as a result of debt restructuring during 2021.
Bank borrowings	90,202,784	1,000,000	89,202,784.00	DBP capitalized accrued interest, interest at 6.00% per annum, interest and principal amortization payable quarterly starting October 2022, matures on October 19, 2025.
Bank borrowings	150,000,000	33,600,000	27,600,000	PNB cash loans, interest at 8% per annum, various maturities in 2023
Bank borrowings	320,000,000	53,108,976	28,085,494	AUB cash loan, interest at 7.50% per annum, interest and principal amortization payable quarterly, matures on June 26, 2023
Bank borrowings	4,200,000	295,842	-	CBC cash loans, interest rate of 8.5%, maturity on June 6, 2022
Bank borrowings	750,000,000	18,499,792	455,641,621	CTBC restructured cash loans, interest at 5.25% per annum subject to quarterly repricing, interest and principal amortization payable quarterly starting January 2022, matures on December 2026.
Bank borrowings	6,080,700	868,671	4,126,189	Ambank cash loan, MYR500,000 (or PHP6,080,700) term loan with interest at 6.70% interest and principal amortization payable monthly from initial drawdown, matures in September 2027
Borrowing from financial institution	48,645,600	15,749,797	23,106,481	Orix cash loan, MYR4,000,000 (or PHP48,645,600) term loan with interest at 8.25%, interest and principal amortization payable monthly from initial drawdown, matures in April 2024
Bank borrowings	1,750,000,000	133,500,000	1,055,875,000	RCBC cash loan, interest at 7.50% per annum, interest and principal amortization payable quarterly, matures on July 2025
Bank borrowings	3,048,971	811,607	1,057,914	RCBC car loan, interest rates ranging from 8.26% to 9.22% per annum, interest and principal amortization payable monthly, various maturities from 2022 to 2024
Bank borrowings	906,400	301,395	328,363	SBC car loan, interest at 8.60% per annum, interest and principal amortization payable monthly, matures on December 2023
Bank borrowings	2,981,049	297,882	-	PNB car loan, interest at 9.23% per annum, interest and principal amortization payable monthly, matures on April 2022
Lease liability	43,010,328	4,519,219	8,159,892	DBP Leasing, interest at 6% per annum, for 10 years, matures on September 15, 2024.
	4,753,975,832	263,786,556	3,320,058,496	

**Balance includes premium on debt restructuring amounting to P43,208,133.*

SCHEDULE E

Harbor Star Shipping Services, Inc. and Subsidiaries

Indebtedness to Related Parties
(Long-term Loans from Related Companies)
December 31, 2021

Name of related party	Balance at beginning of period	Balance at end of period
NONE		

SCHEDULE F

Harbor Star Shipping Services, Inc. and Subsidiaries

Guarantees of Securities of Other Issuers
December 31, 2021

Name of issuing entity of securities guaranteed by the Group for which this statement is filed	Title of issue of each class of securities guaranteed	Amount owned by person for which statement is filed	Nature of guarantee
NONE			

SCHEDULE G

Harbor Star Shipping Services, Inc. and Subsidiaries

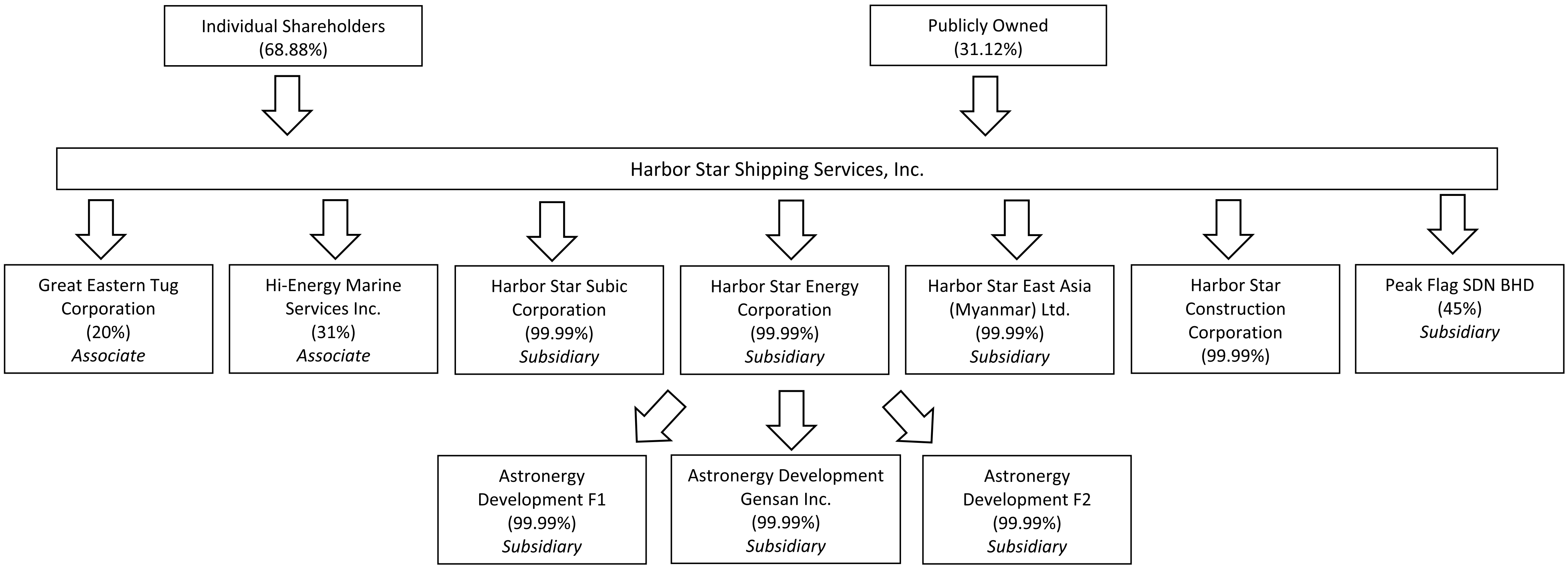
Capital Stock
December 31, 2021

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under statement of financial position caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by		
				Related parties	Directors, officers and employees	Others
Common stock - P1 par value	2,000,000,000	894,586,870	-	-	616,191,436	278,395,434

Annex 68-H

Harbor Star Shipping Services, Inc. and Subsidiaries
2224 A. Bonifacio St., and Pres. Sergio Osmeña
Bangkal, Makati City

A Map Showing the Relationships between and among the Parent Company and its Subsidiaries and Associates
December 31, 2021



Harbor Star Shipping Services, Inc. and Subsidiaries

Schedule of Financial Soundness Indicator
December 31, 2021 and 2020

Ratio	Formula	2021	2020	2019
Current ratio	Current assets / Current liabilities	1.06:1	0.40:1	0.40:1
Acid test ratio	Cash and cash equivalents+ Trade and other receivables, net+ Advances to a related party / Current liabilities	0.85:1	0.31:1	0.22:1
Solvency ratio	Total assets / Total liabilities	1.25	1.24	1.25
Debt to equity ratio	Total debt / Total equity	3.84:1	3.99:1	3.81:1
Asset-to-equity ratio	Total assets / Total equity	4.93	5.08	4.93
Interest coverage ratio	Operating income (loss) / Interest expense	0.38	0.39	(0.62)
Loss on average equity (%)*	Loss / Average issued and outstanding shares	(17.66%)	(9.49%)	(41.82%)
Loss on average assets (%)*	Loss / Average total assets	(2.61%)	(1.41%)	(7.00%)
Net loss attributable to majority shareholders (% to Sales)	Net loss attributable to majority shareholders / Net sales	(8.73%)	(5.90%)	(26.50%)

**Attributable to majority shareholders*

Annex 68-C

Harbor Star Shipping Services, Inc. and Subsidiaries
2224 A. Bonifacio St., and Pres. Sergio Osmeña
Bangkal, Makati City

Reconciliation of Parent Company's Retained Earnings Available for Dividend Declaration
For the year ended December 31, 2021
(All amounts in Philippine Peso)

Unappropriated retained earnings available for dividend distribution, unadjusted, January 1, 2021			151,570,272
Adjustments: Accumulated remeasurements on retirement benefit, net of tax			(1,207,905)
Unappropriated retained earnings available for dividend distribution, as adjusted, January 1, 2021			150,362,367
Net loss based on the face of the audited financial statements		(103,309,880)	
Less:	**Non-actual/unrealized income net of tax**		
	Equity in net income of associate/joint venture	-	
	Unrealized foreign exchange gain - net (except those attributable to cash)	-	
	Unrealized actuarial gain	-	
	Fair value adjustment (M2M gains)	-	
	Fair value adjustment of Investment Property resulting to gain	-	
	Adjustment due to deviation from PFRS/GAAP-gain	-	
	Other unrealized gains (losses) or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	-	
Add:	**Non-actual losses**		
	Depreciation on revaluation increment (after tax)	11,865,522	
	Adjustment due to deviation from PFRS/GAAP - loss	-	
	Loss on fair value adjustment of available-for sale financial assets (after tax)	-	11,865,522
Profit (loss) actually earned/realized during the year			(91,444,358)
Add:	**Release of retained earnings appropriation**		-
Less:	**Treasury shares**		
	Stock dividends declared during the year		-
	Cash dividends declared during the year		-
Unappropriated retained earnings, as adjusted, December 31, 2021			58,918,009

Kathleen Mae Castro

From:	ICTD Submission <ictdsubmission+canned.response@sec.gov.ph>
Sent:	Friday, 20 May 2022 16:32
To:	HSSSI SEC
Subject:	Re: CGFD_HARBOR STAR SHIPPING SERVICES, INC._17-Q 1Q22_20 May 2022

Your report/document has been SUCCESSFULLY ACCEPTED by ICTD.
(Subject to Verification and Review of the Quality of the Attached Document)
Official copy of the submitted document/report with Barcode Page (Confirmation Receipt) will be made available after 15 days from receipt through the SEC Express System at the SEC website at www.sec.gov.ph

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NOTICE

Please be informed that pursuant to SEC Memorandum Circular No. 3, series of 2021, scanned copies of the printed reports with wet signature and proper notarization shall be filed in PORTABLE DOCUMENT FORMAT (PDF) **Secondary Reports** such as: 17-A, 17-C, 17-L, 17-Q, ICASR, 23-A, 23-B, I-ACGR, Monthly Reports, Quarterly Reports, Letters, through email at

ictdsubmission@sec.gov.ph

Note: All submissions through this email are no longer required to submit the hard copy thru mail, eFAST/OST or over- the- counter.

For those applications that require payment of filing fees, these still need to be filed and sent via email with the SEC RESPECTIVE OPERATING DEPARTMENT.

Further, note that other reports shall be filed thru the **ONLINE SUBMISSION TOOL (OST)** such as:
AFS, GIS, GFFS, LCFS, LCIF, FCFS. FCIF, IHFS, BDFS, PHFS etc. ANO, ANHAM, FS-PARENT, FS-CONSOLIDATED, OPC_AO, AFS WITH NSPO FORM 1,2,3 AND 4,5,6, AFS WITH NSPO FORM 1,2,3 (FOUNDATIONS)

FOR MC28, please email to:

https://apps010.sec.gov.ph

For your information and guidance.

Thank you and keep safe.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

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 2021**

2. SEC Identification Number **152897**

3. BIR Tax Identification No. **201-128-653-000**

4. Exact name of issuer as specified in its charter

   HARBOR STAR SHIPPING SERVICES, INC.

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

6. (SEC Use Only)
   Industry Classification Code:

7. Address of principal office **2224 A. BONIFACIO ST., CORNER PRES. SERGIO OSMEÑA HIGHWAY, BRGY. BANGKAL, MAKATI CITY** Postal Code **1233**

8. Issuer's telephone number, including area code **(+632) 8886-37-03**

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

10. Securities registered pursuant to Sections 8 and 12 of the 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	903,781,870
Treasury	13,271,000

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:

    PHILIPPINE STOCK EXCHANGE **COMMON STOCK**

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. The aggregate market value as of the voting stock held by non-affiliates is about PHP1.3 Billion, based on average price of Harbor Star common shares as of 31 December 2021.

SEC FORM 17-A

TABLE OF CONTENTS

PART I - BUSINESS AND GENERAL INFORMATION

ITEM 1. BUSINESS

1.1 BUSINESS DEVELOPMENT AND UPDATES

Parent Company

Harbor Star Shipping Services, Inc. ("Harbor Star" or "the Company" or "Parent Company") was registered with the Securities and Exchange Commission ("SEC") on 05 July 1988 under the name "Seatows, Inc." with the primary purpose of engaging in domestic and international towage, commerce and navigation in the carriage of goods and passengers by water upon the seas, lakes, rivers, canals, bays, harbors, and other waterways.

Through the years, Harbor Star amended its Articles of Incorporation to engage in other business endeavors. It is now a company with diversified businesses interests ranging from towing to construction to energy.

For its maritime business, Harbor Star is the leading marine services company having the widest area of service coverage and most diverse service lines. In 2009, the Company raised the bar in the tug industry when it was certified as being compliant with ISO 9001:2015 for quality management system, ISO 14001:2015 for environmental management system, and OHSAS 45001:2018 for occupational health safety management system. The Company continues to maintain and upgrade its certifications with DNV-GL.

From its initial office in Manila in 1998, Harbor Star now has offices in Batangas, Cebu, Davao, Cagayan de Oro, Iloilo, and Subic.

On 30 October 2013, Harbor Star's common shares were listed in the Philippine Stock Exchange following the initial public offering of 30.0% of its shares at an issue price of PHP1.88 per share.

In 2014, Harbor Star through its subsidiary, Peak Flag Sdn Bhd., became the first Filipino tugboat company to operate in Malaysia. Its tugs render harbor assist and ship-to-ship transfer operations at Malacca, Malaysia under a service contract in force until 2020.

In 2016, Harbor Star created the Diving, Marine Maintenance and Construction (DMMC) Division and secured its Contractor's License with the Philippine Contractors Accreditation Board ("PCAB") to engage in general construction and engineering in the Philippines. The Company obtained its Triple "A" PCAB License in 2018 allowing it to take on broader and more complex range of projects.

In 2017, Harbor Star formalized its entry into the energy industry when it incorporated a wholly-owned subsidiary, Harbor Star Energy Corporation (HSEC). In 2018, HSEC acquired 100% shareholdings of ASTRONERGY Development Gensan Inc. (ADGI), and 100% of ADGI's subsidiaries, ASTRONERGY Development F1, Inc. and ASTRONERGY Development F2, Inc. The said acquisitions allowed Harbor Star, thru HSEC, to own and control a 25 MW solar power plant project, with option to expand to 75 MW, in General Santos City.

In February 2018, Harbor Star incorporated a wholly-owned subsidiary, Harbor Star East Asia (Myanmar) Ltd.

In August 2018, the Company acquired 31% of the outstanding capital stock of tugboat operator High Energy Marine Services, Inc. (HEMSI). HEMSI is the dominant tugboat operator in the Manila South Harbor which is managed by Asian Terminals, Inc. ("ATI").

In 2021, Harbor Star continued its market dominance rendering its core competence of harbor assist by assisting 5,196 foreign vessels during the year. The Company also won biddings and contracts as it sought to strengthen its market position and develop its other service lines

In January 2021, Harbor Star was hired by The Supercat Fast Ferry Corporation for the wreck removal of St. Nuriel. The vessel was capsized and sank about 20 meters underwater. Tugboat "Minkar" and "Procyon" was dispatched for the refloating and disposal to the satisfaction of the authorities.

In May 2021, Harbor Star signed a Two (2) year time charter agreement with Philippine Associated Smelting and Refining Corporation ("PASAR") for the second and third tug requirement. PASAR processes and exports refined copper and precious metal in Isabel, Leyte.

In June 2021, Harbor Star was hired by Asian Marine Transport Corporation to salvage Super Shuttle Roro 3. Tugboat "Minkar", "Alphard", "Mimosa", "Homam", and "Caph" was dispatched for the refloating of the vessel.

In September 2021, Harbor Star together with T&T Salvage of the United States, successfully salvaged the Panamanian registered Bulk Carrier "Ambition Journey". The massive 189-meter vessel ran aground last 02 August 2021 in Sulangan Island in Guiuan town, Eastern Samar. Harbor Star and T&T continue to coordinate with the Philippine Coast Guard and the appropriate local government units to ensure the orderly departure of Ambition Journey and the protection of the marine environment.

Also in September 2021, Harbor Star signed a Two (2) year service agreement with Mariveles Grain Corporation ("MGC") to provide towage, salvage, deep-sea diving, wreck removal, docking / undocking, berthing / unberthing and other services to all foreign vessels using the MGC facility at Mariveles, Bataan.

Response to COVID 19 Pandemic

In 2021, the COVID-19 pandemic continues to significantly affect the shipping industry. Foreign vessel call has remained low due to international shipping lines lessening their vessel calls and/or consolidating their calls with other shipping lines due to lack of cargo.

The lack of cargo is due to the quarantine of factory workers as well as restricted travel in China. Being a key piece in the delivery of goods and commodities in the supply chain, shipping was necessarily affected by the low production and manufacture of goods. These events have significantly reduced the foreign vessels calls to the Philippines.

In response to the challenges of the pandemic, Harbor Star implemented several measures to adapt to the business issues presented by the epidemic while ensuring the safety of its employees.

The Company focused on generating revenue from its other service lines such as its special projects division, which focuses on construction and provision of specialized marine services.

Further, the Company initiated internal cost-saving measures requiring departments and units to reduce fixed costs by 5% - 15% in order to reduce the risk of losing income due to reduced revenues. These measures included terminating outsourced non-essential services, renegotiating with/changing suppliers, merging of office functions, and suspending non-critical office activities and programs.

The Company also adopted a strict and encompassing COVID-19 Pandemic Policy to mitigate the risk of being exposed. The Policy includes screening, social distancing, travel restrictions, and a quarantine procedure for all its employees and persons visiting Company premises. The Company also has a business continuity plan which provides for a work-from-home process and a skeletal workforce and schedule to ensure that the Company will continue to operate in the event of any natural or man-made disaster, such as the present COVID-19 pandemic. The Company also offered free vaccination, regular COVID-19 antigen test, sanitation facilities, and personal protective equipment to further transform a safer workplace and mitigate the exposure of our employees to COVID-19.

Subsidiaries

Peak Flag Sdn. Bhd.

Peak Flag Sdn. Bhd. ("Peak Flag") was incorporated in Malaysia on 18 October 2011. Peak Flag aims to provide marine services at select ports in Malaysia which exhibit high vessel traffic and the opening of additional berthing areas.

Peak Flag's commercial operations commenced in February 2015 with M/T Hamal operating at Malaysia's North port. Months after Peak Flag brought in an additional vessel, M/T Mirzam, which operated at Kuantan Port.

In 2019, Peak Flag was awarded a contract to provide harbor tug services to Westports Malaysia Sdn Bhd in Port Klang, Malaysia ("Westports Malaysia"). Peak Flag will provide a sixty (60) ton bollard pull tug for a period of three (3) years with an option for extension for another two (2) years. On 30 May 2019, Peak Flag acquired the 2500 bhp M/T Pollux.

Harbor Star owns a 45.0% stake at Peak Flag.

Harbor Star Subic Corp.

Harbor Star Subic Corp. ("HSSC") was registered with the SEC on 17 September 2015. Its primary purpose is to engage in marine-related ancillary services such as harbor assistance, towage, lighterage, oil-spill response and underwater marine services.

HSSC commercial operations commenced in 2016 with the arrival of its first vessel M/T Lucida.

In December 2018, Harbor Star Subic has now two deployed vessels, M/T Lucida and M/T Zaniah, to service calling the economic zone.

On 15 March 2019, Harbor Star Subic acquired the 3,600 BPH M/T Jabbah to support its operations in Subic.

Harbor Star owns 99.9% of HSSC.

Harbor Star Energy Corporation

On 11 May 2017, the Securities and Exchange Commission approved the incorporation of Harbor Star Energy Corporation ("HSEC"), a wholly owned subsidiary of the Company. The primary purpose of HSEC is to carry on the general business of generating, distributing and storing electric power derived from solar energy, other renewable energy sources and fuels.

In 2018, HSEC acquired 100% shareholdings of ASTRONERGY Development Gensan Inc. (ADGI), and 100% of ADGI's subsidiaries, ASTRONERGY Development F1, Inc. and ASTRONERGY Development F2, Inc. The said acquisitions allowed Harbor Star, thru HSEC, to own and control a 25 MW solar power plant project, with option to expand to 75 MW, in General Santos City.

As of 31 December 2021, ADGI has delivered 83,629,000 KWh of electricity to SOCOTECO II.

Harbor Star owns 99.9% of HSEC.

<u>Harbor Star East Asia (Myanmar) Ltd.</u>

On 15 February 2018, the Republic of the Union of Myanmar approved the incorporation of Harbor Star East Asia (Myanmar) Ltd., a wholly-owned subsidiary of Harbor Star Shipping Services, Inc., primarily to explore several business opportunities in Myanmar by marketing its expertise in integrated maritime services.

As of 18 May 2021, the registered office of HSEA is located in Yangon, Myanmar. There is currently no operation due to the current political struggle and COVID pandemic.

Harbor Star owns 99.99% of HSEA.

<u>Harbor Star East Asia (Thailand) Co., Ltd.</u>

On 20 September 2019, the Department of Business Development of Malaysia approved the incorporation of Harbor Star East Asia (Thailand) Co., Ltd. The company was registered to be engaged in the maritime business.

As of December 2021, Harbor Star East Asia (Thailand) Co., Ltd has been liquidated because of its lack operation due to the pandemic.

Harbor Star owns 28.99% of HSEA Thailand.

<u>Harbor Star Construction Company</u>

On 23 April 2021, the Securities and Exchange Commission issued the certificate of incorporation of Harbor Star Construction ("HSCC"). HSCC is a wholly-owned subsidiary of TUGS with an authorized capital stock of Ninety Million Pesos (P90,000,000.00) of which Thirty Million Pesos (P30,000,000.00) have been subscribed and fully paid.

HSCC's primary purpose is to engage in the business of general building construction and other allied business including the constructing, developing, repairing, altering, enlarging, removing, restoring, designing, or otherwise engaging in any construction jobs of all description or works.

Harbor Star owns 100% of HSSC.

1.2 BUSINESS OF THE ISSUER

1.2.1 OVERVIEW

Harbor Star offers a wide range of indispensable maritime services such as harbor assistance, towing, lighterage, ship salvage, marine construction, repair and maintenance works, wreck removal, firefighting, oil spill abatement and recovery, handling hazardous chemical, ship and crew management, diving and underwater marine works.

With strategically deployed tugs in Luzon, Visayas, and Mindanao, Harbor Star is renowned as having the widest area of coverage of tug services in the Philippine archipelago.

As of 31 December 2021, Harbor Star, including its domestic subsidiaries and affiliates, has established operations in twelve (12) base ports all over the country, providing services to approximately seven thousand five hundred twenty-nine (7,529) ships as of yearend 2021. The major ports that the Company services include: the Manila International Container Terminal ("MICT"), Manila South Harbor, Bataan, Batangas, Cagayan de Oro ("CDO"), Davao and the newly opened branch at Iloilo.

The Company maintains and manages a fleet of: fifty (50) domestically and internationally classed tugboats; eight (8) barges; one (1) LCT (Landing Craft Tank); one (1) Cargo Ship; one (1) Tanker, and one (1) Dredger. The company has a total of sixty-two (62) vessels.

1.2.2 MARINE SERVICES

Harbor Star derives the bulk of its revenues from six (6) main service lines, namely; (a) harbor assistance, (b) lighterage, (c) towing, (d) salvage, (e) marine construction, repair and maintenance works and (f) other marine services. Other marine services include oil and chemical spill response, diving and underwater services, and ship and crew management.

Harbor Assistance. Harbor Star focuses its harbor assistance operations at ports with heavy vessel traffic, such as MICT, and the ports of Bataan, Batangas, CDO, and Davao. In addition to public or open ports, Harbor Star also provides services to a number of private ports managed by corporations engaged in the oil and gas, power, and mining industries.

As of 31 December 2021, revenues from harbor assistance amounted to PHP1,030 million, equivalent to 75% of total revenue.

Lighterage. Harbor Star's tug and barge tandems are capable of transporting different types of cargo domestically and within the region. For lighterage services, Harbor Star charges the client a fixed charter rate. The charter rate covers the use and maintenance of the vessel, crewing, insurance, and administrative support costs incurred during operations.

As of 31 December 2021, revenues from lighterage services amounted to PHP110 million, equivalent to 8% of total revenue.

Salvage. Salvage is any act or activity undertaken to assist a vessel or any other property in danger in navigable waters or in any other waters. Using international methods and standards, Harbor Star offers the following salvage services:

a. Vessels in distress – This include instances when vessels are on fire, capsized or sinking vessels, among others, that require rescuing.

b. Wreck removal – This include refloating of vessels that ran aground, retrieval of vessels, among others.

c. Wayward vessels – This pertains to breakaway or abandoned vessels drifting afloat and wandering into waters that are vulnerable to collisions and other maritime accidents.

As of 31 December 2021, revenues from salvage operations amounted to PHP109 million, equivalent to 8% of total revenue.

Towing. Harbor Star provides services in various stages of the towing cycle, from planning activities to the actual towage operation. The company provides two (2) types of towing services:

a. Regular towing – when a tugboat is chartered to tow a vessel or barge from one port to another port.

b. Emergency towing – when a vessel in distress needs a towing service.

As of 31 December 2021, revenues from towing services amounted to PHP17 million, equivalent to 1% of total revenue.

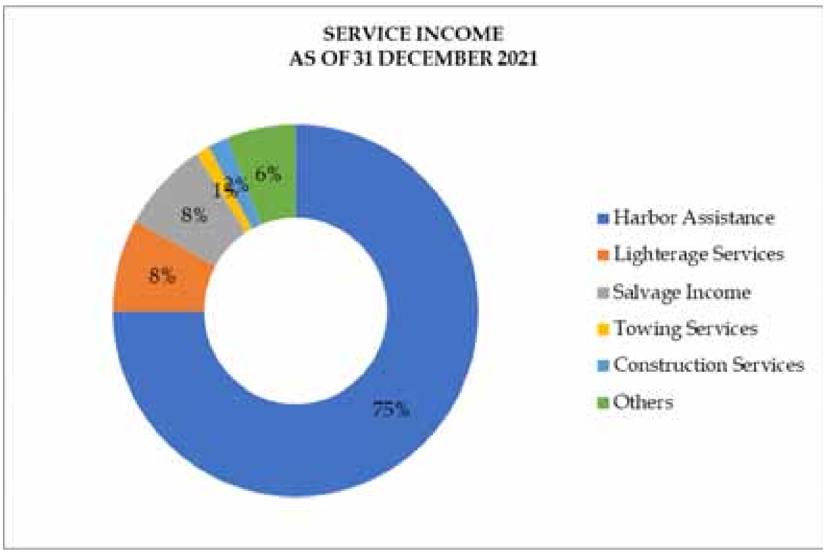
Construction, Repair and Maintenance Works. Harbor Star strengthened its marine ancillary services by offering port construction, pier repair, port-related development, road development, and other non-residential construction.

As of 31 December 2021, revenues from other construction, repair and maintenance work amounted to PHP24 million, equivalent to 2% of total revenue.

Other Marine Services. Harbor Star's marine and other ancillary services include:

a. Oil and Chemical Spill Response
b. Ship repairs
c. Buoy construction deployment and maintenance
d. Diving services, which includes underwater repairs, and Single Buoy Moorings (SBM) and repair
e. Ship and crew management
f. Fire fighting
g. Offshore tug services

As of 31 December 2021, revenues from other marine services amounted to PHP84 million, equivalent to 6% of total revenue.



1.2.3 MARKET

As of 31 December 2021, Harbor Star services has approximately one hundred sixty-eight (168) ports within the Philippines, of which twelve (12) are base or hub ports. These base ports include the following:

1	Bataan	5	Davao	9	Quezon: Mauban
2	Batangas	6	Iloilo	10	Quezon: Sariaya
3	Cagayan de Oro	7	Leyte	11	Subic
4	Cebu	8	Manila		

In some of the base ports mentioned above, there are a number of sub-ports or privately owned and operated ports that the Company also provides maritime services. There are fifteen (15) sub-ports in Bataan, thirty-three (33) in Batangas, twenty-four (24) in CDO, thirty-eight (38) in Davao, and forty-four (44) in Cebu.

1.2.4 COMPETITION

The Company has identified Malayan Salvage and Towage Corporation ("Salvtug"), Davao Gulf Marine Services, Inc. ("DGMI"), Golden Star Manning & Ship Management Corp. ("Golden Star"), and Sedar Tug Services Corp as major competitors in the marine services industry. There are also regional competitors, namely: Pilotage Integrated Services, Corp. ("PISCOR"), North Harbor Tugs, Eagle Asia Marine, Marcoso, Speedy Vismin, Aguilar Maritime, Assist Tow, Fortis Tugs Corporation, Orient Star Tugs, Metro Cebu Tugs Services, Ouano Tugs Services, Panguil Bay Marine, Iligan Coast Marine Services, Genesis Tugs Services, and FF Cruz & Co.

While there are several tug operators, only Salvtug compares to the Company in terms of services offered and market reach.

Harbor Star believes it can effectively and successfully compete in the marine services industry given that it has the widest area of coverage among harbor assistance service providers. Its strategic positioning of its fleet allows the Company to rapidly deploy its vessels to service a vast number of ports nationwide.

Further, Harbor Star is acknowledged as being at par with international standards proven by its accreditation from various local and domestic associations. The accreditations and memberships in the organizations, which impose very stringent entry requirements, bolster Harbor Star's image of focusing on quality of service and safety of operations, both of which are of paramount importance when dealing with multinational clients.

Finally, Harbor Star has a classed vessel fleet and an established maintenance and dry docking program for its vessel fleet to ensure optimal engine performance and hull quality. Having classed vessels distinguishes the Company's fleet as meeting operational and safety standards. Its vessel maintenance and dry docking program minimizes the potential for engine breakdowns, engine overhauls and other types of repairs.

1.2.5 PRINCIPAL SUPPLIERS

Harbor Star is not dependent on a single supplier nor has it executed a major supply contract. For its primary cost for operation, fuel expense which as of 31 December 2021 accounts for 20% of total cost of service, the Company maintains four (4) fuel suppliers namely: Paragon Petroleum Corp., Unioil, Peitriliam Corporation, and Megs Fuels and Lubes Inc.

Meanwhile, Harbor Star purchases its tugboats from the following traders namely: Fuji Kaiji Company Ltd., Ocean Wing Corporation, One Royal Shipping Pte Ltd, Pacific Workboat Pte Ltd and JX Nippon Oil & Energy Marine Service Corporation.

1.2.6 CUSTOMERS

Harbor Star services a variety of customers, including but not limited to, domestic and international containerized vessels, bulk carriers and Port Operators. The Company also services cement, mining, and power generation companies while also catering to government projects that were awarded to the company through biddings.

1.2.7 RELATED PARTIES

The Company, in its ordinary course of business, engages in transactions with its affiliates. Transactions with related parties include investments in and advances granted to or obtained from the related parties. Advances granted to and obtained from the related parties are for working capital requirements and other related purposes. Other related parties include investees which investments are accounted for under the equity method and other entities which are owned and managed by investors/owners of the Company.

Major related party transactions are discussed in Note 21, *Related Party Transactions*, to the Annual Audited Financial Statements.

1.2.8 INTELLECTUAL PROPERTY, LICENSES, CONTRACTS, AND AGREEMENTS

Harbor Star's operations require various licenses and permits from different government offices and agencies. Government approvals are discussed further under "Government Regulations and Licenses".

Contracts and agreements that the Company entered into are done in the ordinary course of business, which include but are not limited to: tugboat charter agreements, marine tugboat service agreements or service contracts, purchase agreements, marketing agreements, and insurance contracts.

1.2.9 GOVERNMENT REGULATIONS AND LICENSES

The government approvals required for services rendered by the Company are enumerated in the succeeding table below, including the issuing government agency, validity of license/accreditation, and expiration date of license/accreditation.

Table 1: Summary of Licenses & Accreditation
As of Dec 31, 2021

	Accreditation		Issuing Government Agency	Validity	Issued Date	Expiration
1	Marina Circular 2006-003 issued to Sec. 4 Par. 2 & Sec. 6(a) of PD # 474 & Sec. 12 of EO # 125-A	Domestic Shipping Business	MARINA	3 years	24-Jul-19	09-Sep-22
2	PCG Rep. Act 9993 & Implementing Rules & Regulations & HPCG Memo Cir. 06-96	Salvor Certificate	Philippine Coast Guard	3 years	26-Nov-19	26-Nov-22
3	NTC License of Harbor Star Shipping Services, Inc.	Coastal Radio Station License	NTC	3 years	05-May-21	19-May-24

4	Memorandum Circular No. 108 Series of 1995 issued Pursuant to Section 3(a),6(a) and 4 of Presidential Dec. No. 474 & Sec. 12(1) of EO No. 125A	Underwater Survey	MARINA	3 years	29-Jul-21	13-Jun-24
5	Memorandum Circular 186 issued pursuant to Section 4 Par. 2 & Section 6(a) of Presidential Dec. No. 474 & Section 12(a) of EO No. 125-A	Ship Management Business	MARINA	3 years	11-Sep-21	10-Sep-24
6	Memorandum Circular No. 186 issued pursuant to Section 4 Paragraph 2 & Section 6 (a) of Presidential Decree No. 474 and Section 12 (a) of Executive Order No. 125-A	Ship Management Business	MARINA	3 years	24-Jul-19	10-Aug-22
7	Pursuant to the Revised Charter of the PPA (PD857), Sec. 84 of PP AO No. 13-77 & Regulations for the frant Ancillary Service Permit under PPA AO No. 08-96 and PPA Memo. Cir. No 07-97	Permit to Operate (Batangas) Based Port	Philippine Ports Authority	1 year	23-Mar-21	23-Mar-24
8	Pursuant to the Revised Charter of the PPA (PD857), Sec. 84 of PP AO No. 13-77 & Regulations for the frant Ancillary Service Permit under PPA AO No. 08-96 and PPA Memo. Cir. No 07-97	Permit to Operate (Batangas) Based Port - Supply & Delivery of Equipment for Own Vessel	Philippine Ports Authority	1 year	23-Mar-21	23-Mar-24
9	Pursuant to the Revised Charter of the PPA (PD857), Sec. 84 of PP AO No. 13-77 & Regulations for the frant Ancillary Service Permit under PPA AO No. 08-96 and PPA Memo. Cir. No 07-97	Permit to Operate (Batangas) - Private Ports in the Provinces of Batangas	Philippine Ports Authority	1 year	23-Mar-21	23-Mar-24
10	Pursuant to the Provision of PD No. 857 as amended & PPA AO No. 10-2018	PPA Accreditation - Underwater Surveying Services	Philippine Ports Authority	3 years	21-Mar-21	19-May-24
11	Pursuant to the Provision of PD No. 857 as amended & PPA AO No. 10-2018	PPA Accreditation - Oil Spill Equipment Shed Services	Philippine Ports Authority	3 years	13-Jan-21	12-Jan-24
12	Pursuant to the Provision of PD No. 857 as amended & PPA AO No. 10-2018	PPA Accreditation - Mooring / Unmooring Services	Philippine Ports Authority	3 years	20-Feb-19	20-Feb-22

13	Pursuant to the Provision of PD No. 857 as amended & PPA AO No. 10-2018	PPA Accreditation - Vessel Repair / Maintenance Services	Philippine Ports Authority	3 years	20-Feb-19	20-Feb-22
14	Pursuant to the Provision of PD No. 857 as amended & PPA AO No. 10-2018	PPA Accreditation - Bunkering Services	Philippine Ports Authority	3 years	20-Feb-19	20-Feb-22
15	Pursuant to the Provision of PD No. 857 as amended & PPA AO No. 10-2018	PPA Accreditation - Tug Assistance Services	Philippine Ports Authority	3 years	20-Feb-19	20-Feb-22
16	Pursuant to the Provision of PD No. 857 as amended & PPA AO No. 10-2018	PPA Accreditation - Cleaning Services	Philippine Ports Authority	3 years	20-Feb-19	20-Feb-22
17	Pursuant to the Provision of PD No. 857 as amended & PPA AO No. 10-2018	PPA Accreditation - Towing /Tugging / Tugboat Services	Philippine Ports Authority	3 years	20-Feb-19	20-Feb-22
18	Pursuant to Republic Act 9295 (RA9295) and its Implementing Rules and Regulations (IRR)	Certificate of Public Convenience - 1st Amendment	MARINA	25 years	18-Jul-17	13-Jul-37
19	Pursuant to Republic Act 9295 (RA9295) and its Implementing Rules and Regulations (IRR)	Certificate of Public Convenience - 2nd Amendment	MARINA	25 years	18-Jul-17	13-Jul-37
20	Pursuant to Republic Act 9295 (RA9295) and its Implementing Rules and Regulations (IRR)	Certificate of Public Convenience - 3rd Amendment	MARINA	25 years	18-Jul-17	13-Jul-37
21	Pursuant to Republic Act 9295 (RA9295) and its Implementing Rules and Regulations (IRR)	Certificate of Public Convenience - 4th Amendment	MARINA	25 years	18-Jul-17	13-Jul-37
22	Pursuant to Republic Act 9295 (RA9295) and its Implementing Rules and Regulations (IRR)	Certificate of Public Convenience - 5th Amendment	MARINA	25 years	18-Jul-17	13-Jul-37
23	Pursuant to Republic Act 9295 (RA9295) and its Implementing Rules and Regulations (IRR)	Certificate of Public Convenience - 6th Amendment	MARINA	25 years	18-Jul-17	13-Jul-37
24	Pursuant to Republic Act 9295 (RA9295) and its Implementing Rules and Regulations (IRR)	Certificate of Public Convenience - 7th Amendment	MARINA	25 years	18-Jul-17	13-Jul-37
25	Pursuant to Republic Act 9295 (RA9295) and its Implementing Rules and Regulations (IRR)	Certificate of Public Convenience - 8th Amendment	MARINA	25 years	18-Jul-17	13-Jul-37
26	Pursuant to Republic Act 9295 (RA9295) and its Implementing Rules and Regulations (IRR)	Certificate of Public Convenience - 9th Amendment	MARINA	25 years	18-Jul-17	13-Jul-37

27	Pursuant to Republic Act 9295 (RA9295) and its Implementing Rules and Regulations (IRR)	Certificate of Public Convenience -10th Amendment	MARINA	25 years	18-Jul-17	13-Jul-37
28	Pursuant to Republic Act 9295 (RA9295) and its Implementing Rules and Regulations (IRR)	Certificate of Public Convenience - 12th Amendment	MARINA	25 years	18-Jul-17	13-Jul-37
29	Pursuant to Republic Act 9295 (RA9295) and its Implementing Rules and Regulations (IRR)	Certificate of Public Convenience - CDO 12-018	MARINA	25 years	18-Jul-17	13-Jul-37
30	Pursuant to Republic Act 9295 (RA9295) and its Implementing Rules and Regulations (IRR)	Certificate of Public Convenience - CDO 16-001	MARINA	25 years	18-Jul-17	13-Jul-37

1.2.10 EFFECTS OF EXISTING OR PROBABLE GOVERNMENTAL REGULATIONS ON THE BUSINESS

The Company believes that it complies with relevant laws, rules and regulations for all the business activities that it is currently engaged in. The Company cannot provide assurance that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner that could limit or curtail further exploration or development. Additionally, new rules and regulations that may be enacted may increase the Company's operating costs and may adversely affect the Company's results of operations and financial condition.

1.2.11 DEVELOPMENT ACTIVITIES EXPENSES

The company's efforts in diversifying it's business activities led to the incorporation of Harbor Star Construction Company (HSCC). The business is primarily engaged in general building construction and any construction jobs of all descriptions or works.

1.2.12 SAFETY, QUALITY, MAINTENANCE, AND COMPLIANCE WITH ENVIRONMENTAL LAWS

Safety, Quality, Maintenance, and Compliance with Environmental Laws are discussed in the Sustainability Report.

1.2.13 EMPLOYEES

As of 31 December 2021, the Company has a total of six hundred seven (607) employees, of which four hundred seventy seven (477) are crewmen and are stationed at various ports of operation, while the other one hundred thirty (130) employees are office personnel or are members of support services.

Benefits received by employees include government mandated benefits (Social Security System, Pag-Ibig, and Philhealth), rice subsidies, vacation leave of fifteen (15) days per year, health plans, and retirement pay. The Company supports employee development through the conduct of in-house seminars, drills and training. Employees are enrolled in various technical, professional, management and leadership training, here and abroad. The Company has no existing collective bargaining agreement with its employees. Furthermore, there is no labor union in the Company. Also, there has been no incidence of labor strikes in the past three (3) years, up to the present. There is also no impending or threatened labor strike.

The following table presents the breakdown of employees per category and employment status.

Table 2: Employee per Category
As of 31 December 2021

Category	Regular/ Probationary	Casual	Total
Office of the President	17	0	17
Operations	44	0	44
Finance & Procurement	18	1	19
Support Services	43	2	45
Sales & Marketing	5	0	5
Vessel (Crew Members)	407	70	477
Total	**534**	**73**	**607**

1.2.14 DISCUSSION OF RISKS

Tugboats, the Company's primary assets are susceptible to maritime accidents such as collision with target vessels and/or to the port where it is docked while in the course of operations. Such accidents may result in extensive damage to the tugboat's hull and may result to the integrity and safety of the tugboat being compromised or even a complete loss of the tugboat. To mitigate this risk, the Company ensures that its crew members have undergone necessary orientations and trainings on operations and safety. Crewmen are also required to complete quarterly safety training seminars, semi-annual IMS seminars, and yearly assessments to promote the progressive enhancement of their skills. The Company also conducts drills to ensure crew safety and minimize damage to property and environment.

Harbor Star's operations are susceptible to acts of piracy and terrorism as the clients it services are potential targets of maritime pirates and terrorists. To mitigate this risk, the Company works closely with the PCG and the Philippine National Police to ensure safety during operations. The Company also maintains insurance policies for its vessel fleet to shield it from losses arising from vessel damage, including war-risk coverage for tugboats deployed at high-risk areas.

Tugboats, which are mechanical vessels, are susceptible to regular wear and tear that can cause operational downtime and opportunity losses for the Company. To mitigate this risk, the Company has a programmed maintenance schedule for its tugboats. The Company also allocates extra tugboats at major ports to limit suspension of operations. It also has a strategic deployment plan to allow quick redeployment of tugboats in ports where they are needed.

Harbor Star is obliged to continue investing in capital-intensive assets such as its tugboat fleet in order to remain competitive in the market, thus necessitating significant capital expenditures on a regular basis. To address this, the Company formulated a re-fleeting plan that presents a systematic retirement and acquisition of tugboats.

Harbor Star is exposed to the volatility of global petroleum prices since diesel fuel is a key component in tug operations. In the event of a sudden increase in world petroleum prices, the Company may not be able to impose a reactionary increase in its service fees in order to keep clients, and will have to absorb the increase in direct costs, which will then decrease its profit margins. To mitigate this, the Company has negotiated tariff adjustments to ensure that a certain margin is maintained by the Company for each assist.

Harbor Star bears the risk of losing its technically skilled boat-captains, engineers, and crewmen that seek employment in other countries that offer more attractive compensation packages. Given the technical expertise and experience necessary in operating tugboats, foreign companies seek to recruit personnel from the Philippine shipping industry. To mitigate this, the Company progressively evaluates its employees' compensation packages and overall job satisfaction.

The vertical integration of port operators may result in Harbor Star's loss of some clients. Private port operators may choose to provide tug assistance services themselves, thereby negating the need for third party tug assistance services providers. To mitigate this risk, Harbor Star constantly markets and seeks new clients. The Company also strives to maintain a high service quality to satisfy existing clients.

At present, the Philippine government is looking at possible privatization of certain public ports, which may increase the barrier to entry for Harbor Star into new ports and displace the Company from current ports serviced. Port operators of such privatized ports may opt to engage an exclusive tug assistance services provider. The Company is currently expanding its port coverage and is dedicated in maintaining market share at current ports it services. It is also strengthening its operations in other service lines such as lighterage and salvage.

The prospective deregulation of Philippine ports may cause the removal of existing cabotage restrictions and may increase the level of competition from foreign players, which may impede Harbor Star's plans in maintaining and increasing market share at the ports it currently services, and penetrating up and coming ports. Existing law disallows the entry of foreign marine services providers in the Philippines as long as there exists a Philippine entity that has the capability and capacity to provide the specific marine service. A repeal of this law will allow foreign operators to service ports that the Company currently services. To address this, the Company co-founded the Harbor Tugowners Association of the Philippines or HTAP, which is an industry group formed to protect the interests of local marine service providers and aims to become the official organization of the industry.

Harbor Star is exposed to reputational risk when the Company conducts salvage operations. Unsuccessful salvage attempts may have an adverse impact on Harbor Star's reputation. To minimize such incidents, the Company implements risk assessment procedures that attempt to measure the probability of succeeding in a salvage operation. In addition, for major salvage projects, the Company partners with established institutional salvors based in Singapore, Australia, and the USA who initially fund the salvage operation. The Company also employs highly competent maritime professionals and requires its crew members to attend training seminars both locally and abroad to further improve their knowledge and proficiency in conducting salvage operations.

Harbor Star's tugboats may inadvertently damage high cost port infrastructure in the course of its operations and may expose the Company to potential lawsuits, resulting in financial expenditures. The port operators may also impose a service ban on the Company. These types of accidents may negatively affect the Company's reputation in the shipping industry and the general public. To mitigate this, the Company hires highly competent crewmen and provides them with adequate training to progressively improve their skills. The Company also implements international best practices in its systems and operational safety procedures. Financial liabilities arising from these occurrences are covered by the Company's indemnity coverage from the Shipowners' Mutual Protection and Indemnity Association (Luxembourg), a P&I Club to which Harbor Star is a contributor.

The COVID-19 pandemic may result in Harbor Star's decrease in clients served due to less foreign vessels calling the Philippines. To mitigate this, the Company initiated internal cost saving measures requiring departments and units to reduce fixed costs by 5% - 15%. These measures included terminating outsourced non-essential services, renegotiating with/changing suppliers, merging of office functions, retrenchment of employees, and suspending non-critical office activities and programs. Further, the Company has also focused on generating more revenue from its other service lines such as its special projects division which focuses on construction and provision of specialized marine services.

ITEM 2. PROPERTIES

2.1 PRINCIPAL FACILITIES (FLEET)

Harbor Star maintains and manages a fleet of fifty (50) domestically and internationally classed tugboats; eight (8) barges; one (1) LCT (Landing Craft Tank); one (1) Cargo Ship; one (1) Tanker and, one (1) Dredger. The company has a total of sixty-two (62) vessels. The table below enumerates the Company's fleet as of 31 December 2021.

Table 3: Fleet List

As of 31 December 2021

NO	VESSEL NAME	ENCUMBRANCE
TUGBOATS		
1	M/T ACHERNAR	Mortgaged
2	M/T ADARA	Mortgaged
3	M/T AGENA	Mortgaged
4	M/T ALPHARD	Mortgaged
5	M/T ALUDRA	Mortgaged
6	M/T AYLA	Mortgaged
7	M/T ARNEB	Mortgaged
8	M/T ATRIA	Mortgaged
9	M/T AVIOR	Mortgaged
10	M/T CANOPUS	None
11	M/T CAPELLA	Mortgaged
12	M/T CAPH	None
13	M/T DENEB	Mortgaged
14	M/T DUBHE	Mortgaged
15	M/T ENIR	Mortgaged
16	M/T GALINA	Mortgaged
17	M/T GIEDI	Mortgaged
18	M/T GREAT FALCON	Mortgaged
19	M/T GREAT HAWK	Mortgaged
20	M/T GREAT LARK	Mortgaged
21	M/T HOMAM	Mortgaged
22	M/T JABBAH	Mortgaged
23	M/T KEID	Mortgaged
24	M/T KRAZ	Mortgaged
25	M/T LUCIDA	Mortgaged
26	M/T MARKAB	Mortgaged
27	M/T MERAK	Mortgaged
28	M/T MERGA	Mortgaged
29	M/T MIMOSA	Mortgaged
30	M/T MINKAR	Mortgaged
31	M/T MIRA	Mortgaged
32	M/T MIZAR	Mortgaged
33	M/T PROCYON	Mortgaged
34	M/T PROPUS	Mortgaged
35	M/T REGULUS	Mortgaged
36	M/T RIGEL	Mortgaged
37	M/T SARGAS	Mortgaged
38	M/T SARIN	Mortgaged
39	M/T SCHEDAR	Mortgaged
40	M/T SHAULA	Mortgaged
41	M/T SIRIUS	Mortgaged

42	M/T SKAT	Mortgaged
43	M/T SPICA	Mortgaged
44	M/T TABIT	Mortgaged
45	M/T TYL	Mortgaged
46	M/T WEZEN	Mortgaged
47	M/T ZANIAH	Mortgaged
MALAYSIA TUGBOATS		
48	M/T HAMAL	Mortgaged
49	M/T MIZRAM	Mortgaged
50	M/T POLLUX	Mortgaged
BARGES		
1	Barge AQUILA	Mortgaged
2	Barge AURIGA	Mortgaged
3	Barge CENTAURUS	Mortgaged
4	Barge CORVUS	Mortgaged
5	Barge FORNAX	Mortgaged
6	Barge HYDRUS	Mortgaged
7	Barge KENRAM	Mortgaged
8	Barge LYNX	Mortgaged
OTHER VESSELS		
1	LCT DRACO	Mortgaged
2	M/V CASSOPEIA	Mortgaged
3	M/V WISE	Mortgaged
4	M/V HYDRA	Mortgaged

2.2 OTHER PROPERTIES

The Company invested in the following properties and/or mortgages the same:

a. A 1,253.38 sq. m. parcel of land located at 2224 A. Bonifacio St. cor. Pres. Sergio Osmeña Highway, Bangkal, Makati City with improvements consisting of a 2-storey commercial building.
b. A 377 sq. m. parcel of land located at Lot 11, Block 8, Phase 5A, Ayala Greenfield Estates, Calamba City, Laguna.
c. A 356 sq. m. parcel of land located at Bansalangin Street, Barangay San Martin De Porres, Parañaque City.
d. A 200 sq. m. parcel of land located at No. 31 Belarmino St., Bangkal, Makati City with improvements consisting of a 7-storey commercial building.
e. A 95 sq. m. office condominium units with 2 parking units at 12.5 sq. m each located at 11th Ave. cor. 26th Street, High Street South Block, Bonifacio Global City, Taguig.
f. A 39,930 sq. m. parcel of land located at Brgy. Balanga, Lemery, Batangas.

The Company leases/exercises real rights over the following properties for its operations:

a. An 80 sq. m. office space located at Door No. 2, G/F, Bldg. 1, Insular Village Phase 1, Lanang, Davao City with a lease rate of PHP17,000.00 per month plus 12.0% VAT.
b. A commercial 71 sq. meter office located at Door 15B, 2nd Floor, Mio Central Arcade, Cugman, Cagayan De Oro City, monthly rate of 12,018.72
c. A 47.5 sq. m office space located at Unit 1, Benley Building, J. De Veyra Street, North Reclamation Area, Cebu City, 6000 with a monthly lease rate of PHP20,160.00 net, inclusive of 12.0% input tax, less withholding tax, and PHP1,187.50 for common area maintenance services.
d. A 300 sq. m storage facility located at SOS, Mabini Batangas with a lease rate of US$660.00 per month.

e. A 54 sq. meter office located at Sea Boulevard, Unit 4 Brgy Libertad, Iloilo City with a lease rate of 16,200 plus VAT.
f. A 53.33 square meter office located at B1, 2/F Unit 1-2, The Ex-works Building along diversion, Bolbok, Batangas City, water and Vat inclusive, with a lease rate of 37,550.00 per month

2.3 ESTIMATED CAPITAL EXPENDITURES AND SOURCES OF FINANCING

Harbor Star's capital expenditure for 2021 is approximately PHP69 million for the acquisition of tugboat M/T Ayla and barge Auriga. The Company funded these capital expenditures through bank financing.

ITEM 3. LEGAL PROCEEDINGS

The Company has no pending legal proceedings which would materially affect its financial auditing or operational capability to which the registrant or any of its subsidiaries or affiliates is a party or of which any of their property is the subject.

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

Except for the matters taken up during the regular annual meeting, held 08 July 2021 covered by the Company's SEC Form 20-IS report, no matter was submitted to a vote of security holders through solicitation of proxies or otherwise during the calendar year covered by this report.

PART II - OPERATIONAL AND FINANCIAL INFORMATION

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

5.1 MARKET INFORMATION

Principal Market where Company's common equity is traded: **Philippine Stock Exchange**

Principal Market for the Company's common equity: **Philippine Stock Exchange**

Harbor Star's share was listed in the Philippine Stock Exchange on 30 October 2013. The Company's common stock is traded in the PSE under the stock symbol "TUGS". As of the latest practicable trading date on 31 March 2022, the share prices of Harbor Star were:

		Price/Common Share *(in Philippine Peso)*
Opening	:	0.72
High	:	0.73
Low	:	0.69
Closing	:	0.71

The high and low share prices for 2019, 2020, 2021 and first quarter of 2022 are indicated below:

	Price/Common Share *(in Philippine Peso)*	
Calendar Period	**High**	**Low**
2022		
1st Quarter	0.91	0.68
2021		
4th Quarter	1.07	0.82
3rd Quarter	1.29	1.01
2nd Quarter	1.38	1.12
1st Quarter	1.97	1.05
2020		
4th Quarter	1.85	1.50
3rd Quarter	1.19	0.90
2nd Quarter	0.94	0.81
1st Quarter	1.04	0.61
2019		
4th Quarter	1.68	1.54
3rd Quarter	2.26	1.50
2nd Quarter	3.12	3.01
1st Quarter	3.34	2.69

As of 31 March 2021, Harbor Star's public float is 32.12%.

5.2 HOLDER

The number of stockholders of record as of the latest practicable date on 31 March 2021 was . Common shares outstanding as of the same date were Nine Hundred Seven Million Eight Hundred Fifty-Seven Thousand Eight Hundred Seventy (907,857,870) shares.

The following are the Company's registered common stockholders as of 31 December 2021:

Table 4: Registered Stockholders
As of 31 December 2021

	NAME	NUMBER OF SHARES HELD	% OF TOTAL
1	PCD NOMINEE CORP - FILIPINO	751,324,812	83.99%
2	PCD NOMINEE CORP - NON-FILIPINO	59,376,070	6.64%
3	Bella Jr., Geronimo Dela Paz	42,000,000	4.69%
4	Ricardo Rodrigo Dela Paz Bella	41,553,487	4.64%
5	Maria Elizabeth Jean E. Bella	225,000	Less than 1.0%
6	Galicia, Filomena G.	30,000	Less than 1.0%
7	Villanueva, Myra P.	20,000	Less than 1.0%
8	Villanueva, Milagros P.	19,000	Less than 1.0%
9	Villanueva, Myrna P.	9,000	Less than 1.0%
10	Cabreza, Marietta V.	9,000	Less than 1.0%
11	Juan Carlos V. Cabreza	9,000	Less than 1.0%
12	Tacub, Felicitas F.	3,000	Less than 1.0%
13	Herrera, Joselito C.	3,000	Less than 1.0%
14	Soliven, Stephen G.	2,500	Less than 1.0%
15	Reiterer, Alfred	1,500	Less than 1.0%
16	Valencia, Jesus San Luis	1,500	Less than 1.0%
17	Joselito T. Bautista	1	Less than 1.0%

5.3 DIVIDENDS AND DIVIDEND POLICY

The Company's dividend policy empowers its Board of Directors to declare at least 20.0% of the Company's prior year's net income as dividends, whether in stock or in cash or a combination of both, payable out of its unrestricted retained earnings and at such time as the Board may deem proper. No dividend shall be declared that will impair the capital stock of the Company.

No dividends were declared in 2021.

5.4 RECENT SALE OF UNREGISTERED SECURITY

No sales of unregistered securities were executed in 2021.

5.5 DESCRIPTION OF REGISTRANT'S SECURITIES

Harbor Star's capital stock is all common shares and is listed in the Philippine Stock Exchange. A discussion of the Company's Capital Stock may be seen in Note 13 of the Audited Financial Statement.

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis relate to the consolidated financial condition and results of operations of Harbor Star Shipping Services, Inc. and its subsidiary (the "Group") and should be read in conjunction with the accompanying audited consolidated financial statements and related notes as of and for the year ended 31 December 2021. References to "Harbor Star" and "the Company" pertain to Harbor Star Shipping Services, Inc., Parent Company, while references to "the Group" pertain to Harbor Star Shipping Services, Inc. and its subsidiaries.

6.1 RESULTS OF OPERATION

The table shows a summary of the consolidated results of operations for the years ended 31 December 2021, 2020, and 2019 as derived from the accompanying audited financial statements.

Table 5: Condensed Statements of Total Comprehensive Income

In PHP thousands	December 2021	December 2020	December 2019	% Change *2021 vs 2020*	% Change *2020 vs 2019*
Service income, net of discounts	1,909,340	1,682,550	1,396,055	13.5%	20.5%
Cost of service	(1,366,190)	(1,228,754)	(1,111,421)	11.2%	10.6%
General and administrative expenses	(336,686)	(314,962)	(344,714)	6.9%	(8.6%)
Net impairment losses on financial assets	(99,678)	(100,155)	(84,118)	(0.5%)	19.1%
Other income (loss), net	(3,804)	67,265	(14,619)	(105.7%)	(560.1%)
Finance cost	(270,062)	(274,706)	(256,646)	(1.7%)	7.0%
Share in profit of associates	20,278	82,309	15,917	(75.4%)	417.1%
Income tax benefit (expense)	(11,210)	1,522	23,292	(836.5%)	(93.5%)
Profit (loss) after tax	(158,011)	(84,930)	(376,255)	86.0%	(77.4%)
EBITDA (1)	543,892	654,478	292,756	(16.9%)	123.6%
EBIT (2)	123,260	188,254	(142,930)	(34.5%)	(231.7%)
Remeasurements on retirement benefits, net of tax	25,807	2,018	(11,085)	(1178.8%)	(118.2%)
Share in other comprehensive income (loss) of associates	-	-	(282)	-	100.0%
Basic and diluted earnings (loss) per share	(0.19)	(0.11)	(0.41)	72.7%	(73.2%)

(1) EBITDA is not a uniform or legally defined financial measure. It generally represents earnings before interest, taxes, depreciation and amortization. EBITDA is presented because the Group believes it is an important measure of its performance and liquidity. EBITDA is also frequently used by securities analysts, investors and other interested parties in the evaluation of companies in the industry. The Group's EBITDA figures are not; however, readily comparable with other companies' EBITDA figures as they are calculated differently and thus, must be read in conjunction with related additional explanations. EBITDA has limitations as an analytical tool and should not be considered in isolation or as a substitute for analysis of the Group's results as reported under PFRS. Some of the limitations concerning EBITDA are:

- EBITDA does not reflect cash expenditures or future requirements for capital expenditures or contractual commitments;
- EBITDA does not reflect changes in, or cash requirements for working capital needs;
- EBITDA does not reflect the interest expense, or the cash requirements necessary to service interest or principal debt payments;
- Although depreciation and amortization are non-cash charges, the assets being depreciated or amortized will often have to be replaced in the future, and EBITDA does not reflect any cash requirements for such replacements; and
- Other companies in the industry may calculate EBITDA differently, which may limit its usefulness as a comparative measure.

Because of these limitations, EBITDA should not be considered as a measure of discretionary cash available to the Group to invest in the growth of the business. The Group compensates for these limitations by relying primarily on the PFRS results and uses EBITDA only as supplementary information.

(2) EBIT, or Earnings Before Interest and Taxes, is calculated by taking net revenues and deducting cash operating expenses and depreciation and amortization.

6.2 COMPARISON OF OPERATING RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021 VS. 31 DECEMBER 2020

<u>Service income</u>

The breakdown of service income is presented as follows:

Table 6: Service Income Breakdown December 2021 vs. December 2020

In PHP thousands	**December 2021**	**December 2020**	**% Increase (Decrease)**	**December 2021 % Contribution**	**December 2020 % Contribution**
Harbor assistance*	1,109,333	1,030,565	7.6%	58.1%	61.3%
Revenue on generation of solar power	301,641	305,407	(1.2%)	15.8%	18.2%
Salvage income	260,371	109,039	138.8%	13.6%	6.5%
Lighterage services	110,737	110,097	0.6%	5.8%	6.5%
Construction revenue	70,309	24,832	183.1%	3.7%	1.5%
Towing services	24,307	17,719	37.2%	1.3%	1.1%
Others	32,641	84,891	(61.5%)	1.7%	5.0%
Service Income	**1,909,339**	**1,682,550**	**13.5%**	**100%**	**100%**

**Net of service discount, which refers to discounts given to client for Harbor assistance service only.*

The Group's consolidated service income increased by 13.5% from PHP1,682.6 million to PHP1,909.3 million on December 31, 2020 and 2021, respectively.

Major positive contributor is the salvage income which grew from PHP109.0 million on December 31, 2020 to PHP260.4 million on December 31, 2021 due to some salvage projects during the year. Harbor assistance also grew from PHP1,030.6 million on December 31, 2020 to PHP 1,109.3 million on December 31, 2021 pertains to services rendered in assisting ships and other watercrafts in docking and undocking at the port

Below presents the breakdown of the cost of services.

Table 7: Cost of Services Breakdown December 2021 vs. December 2020

In PHP thousands	**December 2021**	**December 2020**	**% Increase (Decrease)**	**December 2021 % Contribution**	**December 2020 % Contribution**
Depreciation and amortization	384,614	421,251	(8.7%)	28.2%	34.3%
Fuel and lubricants	256,783	208,176	23.3%	18.8%	16.9%
Personnel costs	249,312	225,404	10.6%	18.2%	18.3%
Outside services	130,285	55,572	134.4%	9.5%	4.5%
Supplies and construction supplies	82,546	71,409	15.6%	6.0%	5.8%
Rent	75,826	43,674	73.6%	5.6%	3.6%
Insurance	50,657	59,383	(14.7%)	3.7%	4.8%
Charter hire	29,770	32,789	(9.2%)	2.2%	2.7%
Port expense	21,765	21,427	1.6%	1.6%	1.7%
Repairs and maintenance	17,526	22,356	(21.6%)	1.3%	1.8%
Professional fees	8,862	6,099	45.3%	0.6%	0.5%
Transportation and travel	5,912	7,583	(22.0%)	0.4%	0.6%
Amortization right-of-use asset	4,891	17,504	(72.1%)	0.4%	1.4%
Communication, light and water	2,358	3,498	(32.6%)	0.2%	0.3%
Taxes and licenses	1,693	947	78.8%	0.1%	0.1%
Others	43,390	31,682	37.0%	3.2%	2.6%
Cost of Services	**1,366,190**	**1,228,754**	**11.2%**	**100%**	**100%**

Cost of services

Cost of services increased by 11.2% amounting to PHP137.4 million from PHP1,228.8 million on December 31, 2020 to PHP1,366.2 million on December 31, 2021. The increase is mainly due to higher outside services, fuel and lubricants, rent, personnel costs for employees for various projects.

Gross profit and gross profit margin

The Group’s gross profit is higher by 19.7% amounting to PHP89.4 million from PHP453.8 million on December 31, 2019 to PHP543.1 million on December 31, 2021, primarily due to the higher increase in service income, net than the increase in cost of services. Consequently, gross profit margin is higher at 28.4% in 2020 from 27.0% in 2020.

Below presents the breakdown of the general and administrative expenses.

Table 8: General and Administrative Expenses Breakdown
December 2021 vs. December 2020

In PHP thousands	**December 2021**	**December 2020**	**% Increase (Decrease)**	**December 2021 % Contribution**	**December 2020 % Contribution**
Personnel costs	121,601	117,104	3.8%	36.1%	37.2%
Taxes and licenses	39,233	30,537	28.5%	11.7%	9.7%
Representation and entertainment	29,519	25,390	16.3%	8.8%	8.1%
Repairs and maintenance	28,278	26,473	6.8%	8.4%	8.4%
Depreciation and amortization	20,330	19,050	6.7%	6.0%	6.0%
Transportation and travel	19,411	8,595	125.8%	5.8%	2.7%
Provision for assessment	12,094	602	1909.0%	3.6%	0.2%
Professional fees	9,555	11,252	(15.1%)	2.8%	3.6%
Outsourced services	8,902	5,659	57.3%	2.6%	1.8%
Provision for impairment of input VAT	8,283	9,058	(8.6%)	2.5%	2.9%
Amortization of computer software	7,260	6,797	6.8%	2.2%	2.2%
Insurance	6,849	8,335	(17.8%)	2.0%	2.6%
Communications	4,023	3,731	7.8%	1.2%	1.2%
Supplies and construction supplies	3,909	5,512	(29.1%)	1.2%	1.8%
Utilities	2,909	2,785	4.5%	0.9%	0.9%
Rent	1,935	2,206	(12.3%)	0.6%	0.7%
Amortization of right-of-use assets	1,915	1,759	8.9%	0.6%	0.6%
Registration and membership fees	1,878	100	1778.0%	0.6%	0.0%
Amortization of leasehold rights	1,621	1,621	-	0.5%	0.5%
Advertising and promotions	787	1,282	(38.6%)	0.2%	0.4%
Fuel and lubricants	89	181	(50.8%)	0.0%	0.1%
Write-off of receivable	-	6,825	(100.0%)	-	2.2%
Others	6,305	20,107	(68.6%)	1.9%	6.4%
Gen. and Admin. Expenses	**336,686**	**314,961**	**6.9%**	**100%**	**100%**

General and administrative expenses

The Group's general and administrative expenses increased by 6.9% amounting to PHP21.7 million from PHP315.0 million on December 31, 2020 to PHP336.7 million on December 31, 2021. This is mainly due to higher provision for assessment, transportation and travel, taxes and licenses, personnel costs, representation and entertainment and repairs and maintenance.

Other income (loss), net

Other income (loss), net consists of foreign exchange gain and loss, interest income, loss on debt restructuring, gain (loss) on sale of property and equipment, ship management, insurance claims, gain on reversal of finance lease liability, provision on construction receivables, cost recharges and non-routine special projects. This account decreased by 105.7% amounting to PHP71.1 million from PHP67.3 million other income on December 31, 2020 to (PHP3.8) million other loss on December 31, 2021. This is mainly due to the recognized loss on debt restructuring and loss on sale of property and equipment.

Operating profit (loss) and operating profit (loss) margin

The Group experienced a decline by 2.8% amounting to PHP3.0 million from PHP105.9 million operating income on December 31, 2020 to PHP103.0 million operating income on December 31, 2021. This is mainly due to increased general and administrative expenses and other loss. Operating profit (loss) margin, in like manner, decreased from 6.3% in 2020 to 5.4% in 2021.

Finance Cost

The Company incurred finance costs, consisting of interest expense and unrealized foreign exchange loss on borrowings. The decrease is attributable to payment of borrowings throughout the year.

EBITDA

EBITDA (earnings before interests, taxes, depreciation and amortization) is lower by 16.9% from PHP654.5 million on December 31, 2020 to PHP543.9 million on December 31, 2021. The decrease can be attributable to the higher increase in general and administrative expenses, other loss and income tax expense.

Net profit (loss) and net profit (loss) margin

The Group experienced a decline by 86.0% amounting to PHP73.1 million from (PHP84.9) million net loss for the year ended 31 December 2020 to (PHP158.0) million net loss for the year ended 31 December 2021 due mainly to increase in general and administrative expenses, other loss and income tax expense and decrease in share in profit of associates. The ratio of consolidated net income to consolidated service income, net stood at (8.3%) and (5.0%) in 2021 and 2020, respectively.

6.3 MATERIAL CHANGES TO THE STATEMENTS OF FINANCIAL POSITION AS OF 31 DECEMBER 2021 COMPARED TO THE STATEMENTS OF FINANCIAL POSITION AS OF 31 DECEMBER 2020

Cash and cash equivalents

The account decreased by 3.1% amounting to PHP8.5 million from PHP272.5 million in 2020 to PHP264.0 million in 2021 mainly due to acquisition of property, plant and equipment, software, investment properties, payment of borrowings and payment of lease liabilities.

Trade and other receivables, net

The account increased by 29.0% amounting to PHP215.6 million from PHP743.0 million in 2020 to PHP958.5 million in 2021 mainly due receivables from customers for rendering harbor assistance and other marine services and solar energy fee to energy supply which are not yet collected during the year.

Property and equipment at revalued amounts, net

The increased by 15.8% amounting to PHP227.4 million from PHP1,435.5 million in 2020 to PHP1,662.9 million in 2021 mainly due to acquired property and equipment and revaluations.

Property and equipment at cost, net

The account decreased by 4.6% amounting to PHP107.5 million from PHP2,332.0 million in 2020 to PHP2,224.5 million in 2021 mainly due to depreciations of barges, building and building improvements, equipment for transportation, diving and oil spill, construction.

Computer software, net

The account decreased by 17.6% amounting to PHP4.2 million from PHP23.6 million in 2020 to PHP19.4 million in 2021 mainly due to amortization.

Investment properties

The account increased by 7.5% amounting to PHP3.7 million from PHP48.5 million in 2020 to PHP52.2 in 2021 mainly due to capitalized expenditure.

Investment in associates

The account increased by 4.7% amounting to PHP9.2 million from PHP198.0 million in 2020 to PHP207.3 million in 2021 mainly due to recognition of share in net income less dividends from associates.

Deferred income tax assets, net

The account decreased by 100% amounting to PHP33.8 million from PHP33.8 million in 2020 to nil in 2021 mainly due to offsetting to deferred tax liabilities.

Trade and other payables

The account increased by 34.5% amounting to PHP163.9 million from PHP474.9 million in 2020 to PHP638.8 million in 2021 mainly due to increases in payables related to operations, accrued interest on interest bearing loans, accrued construction costs in relation to unliquidated expenses of construction projects employees, other accrued expenses related to insurance companies and unliquidated business expenses.

Short-term loans

The account increased by 4.9% amounting to PHP24.3 million from PHP498.0 million in 2020 to PHP522.3 million in 2021 due to additional acquired loan to finance capital expenditures that are non-qualifying assets.

Borrowings, current portion

The account decreased by 88.7% amounting to PHP2,033.0 million from PHP2,292.3 million in 2020 to PHP259.3 million in 2021 mainly due to payment of borrowings and reclassification of current to non-current borrowings.

Lease liabilities, current portion

The account increased by 34.2% amounting to PHP1.7 million from PHP5.0 million in 2020 to PHP6.8 million in 2021 mainly due to additional lease and interest expense.

Trade payables, net of current portion

The account increased by 30.0% amounting to PHP3.5 million from PHP11.7 million in 2020 to PHP15.2 million in 2021 mainly due to accrued construction cost, fuel, provisions and accrued interest payable on long-term loans.

Non-current portion of loans payable

The account decreased by 100% amounting to PHP69,289 from PHP69,289 in 2020 to nil in 2021 mainly due to payment for loans for working capital.

Borrowings, net of current portion

The account increased by 154.7% amounting to PHP2,011.5 million from PHP1,300.4 million in 2020 to PHP3,311.9 million in 2021 mainly due to reclassification of current to non-current borrowings.

Lease liabilities, net of current portion

The account decreased by 10.6% amounting to PHP3.8 million from PHP35.6 million in 2020 to PHP31.8 million in 2021 mainly due to lease payment.

Deferred income tax liabilities, net

The account increased by 100.0% amounting to PHP49.5 million from nil in 2020 to PHP49.5 million in 2021 due to deferred income tax credited to profit or loss and other comprehensive income.

Retirement benefits obligation

The account decreased by 14.8% amounting to PHP18.5 million from PHP124.5 million in 2020 to PHP106.0 million in 2021 mainly due to remeasurement brought about by experience adjustments.

Revaluation surplus, net of tax

The account increased by 304.4% amounting to PHP215.8 million from PHP70.9 million in 2020 to PHP286.7 million in 2021 due to revaluation increment.

Retained earnings

The account decreased by 134.3% amounting to PHP126.2 million from PHP94.0 million in 2020 to (PHP32.2) million in 2021 mainly due to loss incurred by the Group during the year.

6.4 COMPARISON OF OPERATING RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020 VS. 31 DECEMBER 2019

Service income

The breakdown of service income is presented as follows:

Table 9: Service Income Breakdown December 2020 vs. December 2019

In PHP thousands	**December 2020**	**December 2019**	**% Increase (Decrease)**	**December 2020 % Contribution**	**December 2019 % Contribution**
Harbor assistance*	1,030,565	1,054,401	(2.3%)	61.3%	75.5%
Revenue on generation of solar power	305,407	107,143	185.0%	18.2%	7.7%
Lighterage services	110,097	103,338	6.5%	6.5%	7.4%
Salvage income	109,039	31,856	242.3%	6.5%	2.3%
Construction revenue	24,832	-	100.0%	1.5%	-
Towing services	17,719	36,927	(52.0%)	1.1%	2.6%
Others	84,891	62,390	36.1%	5.0%	4.5%
Service Income	**1,682,550**	**1,396,055**	**20.5%**	**100%**	**100%**

**Net of service discount, which refers to discounts given to client for Harbor assistance service only.*

The Group's consolidated service income increased by 20.5% from PHP1,396.1 million to PHP1,682.6 million as of December 31, 2019 and 2020, respectively.

Major positive contributor is the revenue on generation of solar power which grew from PHP107.1 million as of December 31, 2019 to PHP305.4 million as of December 31, 2020 due to higher solar energy generated as the Group have their first full operations of solar energy generation during the year. Lighterage services, salvage income, construction revenue, diving, other underwater services and others contributed the increases of PHP131.3 million during 2020 primarily due to income recognized for salvage regarding the emergency response in Iloilo and Guimaras and revenue recognized for construction contracts.

Harbor assistance decreased by 2.3% amounting to PHP23.8 million from PHP1,054.4 million as of December 31, 2019 to PHP1,030.6 million as of December 31, 2020. Towing services declined by 52% amounting to PHP19.2 million from PHP36.9 million as of December 31, 2019 to PHP17.7 million as of December 31, 2020.The decline is the impact of the COVID-19 pandemic as the Group is not able to fully operate their due restricted lockdowns.

Subsidiaries, such as Astronergy Development Gensan, Inc., and Harbor Star Subic Corp., contributed to the Group's revenue as of December 31, 2020 amounted to PHP305.4 million and PHP52.3 million, respectively.

Below presents the breakdown of the cost of services.

Table 10: Cost of Services Breakdown December 2020 vs. December 2019

In PHP thousands	**December 2020**	**December 2019**	**% Increase (Decrease)**	**December 2020 % Contribution**	**December 2019 % Contribution**
Depreciation and amortization	421,251	394,759	6.7%	34.3%	35.5%
Personnel costs	225,404	214,258	5.2%	18.3%	19.3%
Fuel and lubricants	208,176	211,362	(1.5%)	16.9%	19.0%
Supplies and construction supplies	71,409	24,210	195.0%	5.8%	2.2%
Insurance	59,383	53,390	11.2%	4.8%	4.8%
Outside services	55,572	40,420	37.5%	4.5%	3.6%
Rent	43,674	24,740	76.5%	3.6%	2.2%
Charter hire	32,789	32,568	0.7%	2.7%	2.9%
Repairs and maintenance	22,356	15,985	39.9%	1.8%	1.4%
Port expense	21,427	20,509	4.5%	1.7%	1.8%
Amortization right-of-use asset	17,504	17,504	-	1.4%	1.6%
Transportation and travel	7,583	8,162	(7.1%)	0.6%	0.7%
Professional fees	6,099	4,122	48.0%	0.5%	0.4%
Communication, light and water	3,498	4,396	(20.4%)	0.3%	0.4%
Taxes and licenses	947	2,814	(66.3%)	0.1%	0.3%
Others	31,682	42,222	(25.0%)	2.6%	3.8%
Cost of Services	**1,228,754**	**1,111,421**	**10.6%**	**100%**	**100%**

Cost of services

Cost of services increased by 10.6% amounting to PHP117.3 million from PHP1,111.4 million in 2019 to PHP1,228.8 million in 2020. The increase is mainly due to higher depreciation and amortization as there are additional capital expenditures recognized, personnel costs for employees, construction costs for supplies, labor and materials, insurance, outside services for various projects, rent, repair and maintenance and professional fees.

Gross profit and gross profit margin

The Group's gross profit is higher by 59.4% amounting to PHP169.2 million from PHP284.6 million in 2019 to PHP453.8 million in 2020, primarily due to the higher increase in service income, net than the increase in cost of services. Consequently, gross profit margin is higher at 27.0% in 2020 from 20.4% in 2019.

Below presents the breakdown of the general and administrative expenses.

Table 11: General and Administrative Expenses Breakdown
December 2020 vs. December 2019

In PHP thousands	**December 2020**	**December 2019**	**% Increase (Decrease)**	**December 2020 % Contribution**	**December 2019 % Contribution**
Personnel costs	117,104	112,852	3.8%	37.2%	32.7%
Taxes and licenses	30,537	34,950	(12.6%)	9.7%	10.1%
Repairs and maintenance	26,473	3,955	569.4%	8.4%	1.1%
Representation and entertainment	25,390	20,330	24.9%	8.1%	5.9%
Depreciation and amortization	20,672	22,097	(6.4%)	6.6%	6.4%
Professional fees	11,252	24,079	(53.3%)	3.6%	7.0%
Provision for impairment of input VAT	9,058	9,058	-	2.9%	2.6%
Transportation and travel	8,595	37,097	(76.8%)	2.7%	10.8%
Insurance	8,335	5,909	41.1%	2.6%	1.7%
Write-off of receivable	6,825	5,534	23.3%	2.2%	1.6%
Amortization of computer software	6,797	1,327	412.2%	2.2%	0.4%
Outsourced services	5,659	5,892	(4.0%)	1.8%	1.7%
Supplies and construction supplies	5,512	5,436	1.4%	1.8%	1.6%
Communications	3,731	5,319	(29.9%)	1.2%	1.5%
Utilities	2,785	2,631	5.9%	0.9%	0.8%
Rent	2,206	4,227	(47.8%)	0.7%	1.2%
Advertising and promotions	1,282	4,520	(71.6%)	0.4%	1.3%
Amortization of right-of-use assets	1,759	1,625	8.2%	0.6%	0.5%
Provision for assessment	602	28,672	(97.9%)	0.2%	8.3%
Fuel and lubricants	181	59	206.8%	0.1%	0.0%
Registration and membership fees	100	274	(63.5%)	0.0%	0.1%
Others	20,107	8,872	126.6%	6.4%	2.6%
Gen. and Admin. Expenses	**314,962**	**344,715**	**(8.6%)**	**100%**	**100%**

<u>General and administrative expenses</u>

The Group's general and administrative expenses decreased by 8.6% amounting to PHP29.8 million from PHP344.7 million in 2019 to PHP315.0 million in 2020. This is mainly due to taxes and licenses, depreciation and amortization as there are disposals of assets, professional fees, transportation and travel due to pandemic travel restrictions, communication, rent, advertising and promotions and provision for assessment.

Other income (loss), net

Other income (loss), net consists of ship management, insurance claims, gain on reversal of finance lease liability, loss on sale of property and equipment, interest income, foreign exchange gain and loss, provision on construction receivables, cost recharges and non-routine special projects. This account increased by 560.1% amounting to PHP81.9 million from (PHP14.6) million other loss in 2019 to PHP67.3 million other income in 2020.

Operating profit (loss) and operating profit (loss) margin

The Group experienced a growth by 166.7% amounting to PHP264.8 million from (PHP158.8) million operating loss in 2019 to PHP105.9 million operating income in 2020. This is mainly due to increased gross profit, decreased general and administrative expenses and due to other income, net. Operating profit (loss) margin, in like manner, increased from (11.4%) in 2019 to 6.3% in 2020.

Finance cost

The Company incurred finance costs, consisting of interest expense and unrealized foreign exchange loss on borrowings amounting to PHP274.7 million as of December 31,2020, PHP18.1 million higher than PHP256.6 million as of December 31, 2019. The increase is attributable to the accumulation of borrowings throughout the year to support the Group's expansion and diversification activities.

EBITDA

EBITDA (earnings before interests, taxes, depreciation and amortization) is higher by 123.6% from PHP292.8 million in 2019 to PHP654.5 million in 2020. The increase can be attributable to the higher increase in service income, net than increase in cost of services, lower general and administrative expenses and other income.

Net profit (loss) and net profit (loss) margin

The Group experienced a growth by 77.4% amounting to PHP291.3 million from (PHP376.3) million net loss for the year ended 31 December 2019 to (PHP84.9) million net loss for the year ended 31 December 2020 due mainly to higher increase in service income, net than increase in cost of services, lower general and administrative expenses and other income. The ratio of consolidated net income to consolidated service income, net stood at (5.0%) and (27.0%) in 2020 and 2019, respectively.

6.5 MATERIAL CHANGES TO THE STATEMENTS OF FINANCIAL POSITION AS OF 31 DECEMBER 2020 COMPARED TO THE STATEMENTS OF FINANCIAL POSITION AS OF 31 DECEMBER 2019

Cash and cash equivalents

The account increased by 174.0% amounting to PHP173.0 million from PHP99.4 million in 2019 to PHP272.5 million in 2020 mainly due to proceeds from borrowings, proceeds from disposal of property, plant and equipment and revenue received from the operations.

Trade and other receivables, net

The account increased by 34.4% amounting to PHP190.0 million from PHP552.9 million in 2019 to PHP743.0 million in 2020 mainly due to energy supply receivable which are not yet collected during the year.

Advances to a related party

The account decreased by 100% amounting to PHP553,165 from PHP553,165 in 2019 to PHP0 in 2020 due to impairment as it is determined to be uncollectible.

Prepayments and other current assets

The account decreased by 45.5% amounting to PHP248.8 million from PHP546.8 million in 2019 to PHP298.1 million in 2020 mainly due to collection of advances to contractors.

Property and equipment at revalued amounts, net

The decreased by 10.8% amounting to PHP207.3 million from PHP1,609.3 million in 2019 to PHP1,435.5 million in 2020 mainly due to depreciation and disposal of MT Vega.

Property, plant and equipment at cost, net

The account decreased by 8.2% amounting to PHP207.3 million from PHP2,539.3 million in 2019 to PHP2,332.0 million in 2020 mainly due to depreciation of solar power plant.

Right-of-use assets, net

The account decreased by 43.5% amounting to PHP60.2 million from PHP138.2 million in 2019 to PHP78.1 million in 2020 mainly due to amortization and reclassification.

Computer software, net

The account decreased by 15.4% amounting to PHP4.3 million from PHP27.9 million in 2019 to PHP23.6 million in 2020 mainly due to amortization.

Investment in associates

The account increased by 70.0% amounting to PHP81.5 million from PHP116.5 million in 2019 to PHP198.0 million in 2020 mainly due to recognition of share in net income from the associates.

Deferred income tax assets, net

The account increased by 38.1% amounting to PHP9.3 million from PHP24.5 million in 2019 to PHP33.8 million in 2020 mainly due to higher deferred tax assets than deferred tax liabilities brought about by retirement benefit obligation, allowance for impairment of receivables, provision of service discounts and others.

Trade and other payables

The account increased by 14.0% amounting to PHP58.2 million from PHP416.7 million in 2019 to PHP474.9 million in 2020 mainly due to increase in accrued interest on interest bearing loans, accrued construction costs in relation to unliquidated expenses of construction projects employees.

Borrowings, current portion

The account increased by 12.0% amounting to PHP246.5 million from PHP2,045.9 million in 2019 to PHP2,292.3 million in 2020 mainly due to obtained loans from CTBC during the year for working capital purposes.

Lease liabilities, current portion

The account decreased by 70.3% amounting to PHP12.0 million from PHP17.0 million in 2019 to PHP5.0 million in 2020 mainly due to lease payments and modifications.

Income tax payable

The Group has recognized income tax payable during 2020 amounting PHP315,421.

Trade payables, net of current portion

The account decreased by 25.5% amounting to PHP4.0 million from PHP15.7 million in 2019 to PHP11.7 million in 2020 mainly due to payment for accrued construction cost, fuel, provisions and accrued interest payable on long-term loans.

Non-current portion of loans payable

The account decreased by 79.1% amounting to PHP261,906 from PHP331,195 in 2019 to PHP69,289 in 2020 mainly due to payment for loans for working capital.

Borrowings, net of current portion

The account decreased by 23.8% amounting to PHP406.9 million from PHP1,707.2 million in 2019 to PHP1,300.4 million in 2020 mainly due to payment for borrowings for working capital.

Lease liabilities, net of current portion

The account decreased by 52.4% amounting to PHP39.2 million from PHP74.7 million in 2019 to PHP35.6 million in 2020 mainly due to lease payment and modifications.

Retirement benefits obligation

The account increased by 9.5% amounting to PHP10.8 million from PHP113.6 million in 2019 to PHP124.5 million in 2020 mainly due to remeasurement brought about by experience adjustments.

Revaluation surplus, net of tax

The account decreased by 11.5% amounting to PHP9.2 million from PHP80.2 million in 2019 to PHP70.9 million in 2020 due to amortization of revaluation increment through depreciation and deferred income tax liability.

Retained earnings

The account decreased by 48.3% amounting to PHP88.0 million from PHP181.9 million in 2019 to PHP94.0 million in 2020 mainly due to loss incurred by the Group during the year.

6.6 KEY PERFORMANCE INDICATORS

The Company uses the following measures to assess its performance from period to period.

Table 12: Key Performance Indicators

	2021	**2020**	**2019**
Revenue Growth	13.5%	20.5%	(2.8%)
Gross Profit Margin	28.4%	27.0%	20.4%
EBITDA Margin	28.5%	38.9%	21.0%
Net Income Margin	(8.3%)	(5.0%)	(27.0%)
Return on Asset	(2.5%)	(1.4%)	(6.1%)
Return on Equity	(12.6%)	(7.4%)	(30.2%)
Current Ratio	0.05	0.40	0.40
Debt-to-Equity Ratio	3.93	3.99	3.81

- Revenue growth measures the percentage change in revenues for a given period
- Gross profit margin pertains to the ratio of gross profit to revenues. This reflects the profitability of the Group's core business
- EBITDA margin pertains to the ratio of EBITDA to revenues. This reflects the operating profitability of the Group
- Net income margin pertains to the ratio of net income after tax to revenues. This reflects the Group's overall profitability
- Return on Asset pertains to the ratio of the Group's net income to total assets. This measures the Group's ability to generate returns on its assets
- Return on Equity pertains to the ratio of the Group's net income to total equity. This measures the Group's ability to generate returns on its stockholders' equity
- Current ratio is the ratio of the Group's total current assets to total current liabilities. This reflects the Group's liquidity

  Debt-to-equity ratio is the ratio of the Group's total debt to total stockholders' equity. This reflects the degree to which the Group is financing its operations through debt versus wholly-owned funds.

6.7 CASH FLOWS

The table below shows the Group's cash flows for the years ended 31 December 2021, 2020 and 2019:

Table 13: Cash Flows

In PHP thousands,	**2021**	**2020**	**2019**	**% Change *2021 vs 2020***	**% Change *2020 vs 2019***
Net cash provided by operating activities	618,680	756,876	1,110,195	(18.3%)	(31.8%)
Net cash flow used in investing activities	(231,171)	(226,449)	(2,302,051)	2.1%	(90.2%)
Net cash provided by (used in) financing activities	(396,045)	(357,211)	976,093	10.9%	(136.6%)
EFFECTS OF EXCHANGE RATE CHANGES IN CASH	17	(183)	(1,348)	(109.3%)	(86.4%)
NET INCREASE (DECREASE) IN CASH	(8,519)	173,033	(217,111)	(104.9%)	(179.7%)
CASH AT BEGINNING OF THE YEAR	272,482	99,450	316,561	174.0%	(68.6%)
CASH AT THE END OF THE YEAR	**263,963**	**272,482**	**99,450**	**(3.1%)**	**174.0%**

Cash and cash equivalents decreased by 3.1% amounting to PHP8.5 million from PHP272.5 million in 2020 to PHP264.0 million in 2021 mainly due to acquisition of property, plant and equipment, software, investment properties, payment of borrowings and payment of lease liabilities.

6.8 CAPITAL RESOURCES

The table below illustrates the Group's capital sources as of 31 December 2021, 2020 and 2019:

Table 14: Capital Sources

In PHP thousands	December 31, 2021	December 31, 2020	December 31, 2019	% Change *2021* vs *2020*	% Change 2020 vs *2019*
Trade and other payables	654,030	486,650	432,431	12.5%	12.5%
Short-term loans	522,272	498,000	499,750	(0.4%)	(0.4%)
Borrowings	3,571,166	3,592,691	3,753,097	(4.3%)	(4.3%)
Lease liabilities	38,603	40,633	91,762	(55.7%)	(55.7%)
Total debt	4,786,071	4,617,974	4,777,040	(3.3%)	(3.3%)
Share capital	907,858	907,858	907,858	-	-
Additional paid-in-capital	121,633	121,633	121,633	-	-
Retained earnings (Deficit) attributable to the owners of the Parent Company	(32,195)	93,972	181,934	(48.3%)	(48.3%)
Fair value reserve on financial assets at fair value through other comprehensive income	(160)	(160)	(160)	-	-
Treasury stock	(37,615)	(37,615)	(37,615)	-	-
Revaluation surplus, net of tax	286,743	70,904	80,153	11.5%	11.5%
Total Equity	1,246,264	1,156,591	1,253,803	(7.8%)	(7.8%)
Total	6,032,335	**5,774,565**	**6,030,843**	**(4.2%)**	**(4.2%)**

Capital is a critical component of running a business from day to day and financing its future growth. Business capital may derive from the operations of the business or be raised from debt or equity financing.

6.9 TRENDS, EVENTS, OR UNCERTAINTIES AFFECTING RECURRING REVENUES AND PROFITS

The Group is exposed to a number of trends, events and uncertainties which can affect its recurring revenues and profits. These include levels of general economic activity and containerized trade volume in countries where it operates, as well as certain cost items, such as labor, fuel and power. In addition, the Group operates in a number of jurisdictions other than the Philippines and collects revenues in various currencies. Continued appreciation of the US dollar relative to other major currencies, particularly the Philippine peso, may have a negative impact on the Group's reported levels of revenues and profits.

The COVID-19 pandemic may also affect the operations of the Group.

6.10 RISKS

THE GROUP'S DIVERSE OPERATIONS EXPOSE THE GROUP TO VARIOUS RISKS SUCH AS MARKET RISKS, CREDIT AND LIQUIDITY WHICH MOVEMENTS MAY MATERIALLY IMPACT THE FINANCIAL RESULTS OF THE GROUP. THE IMPORTANCE OF MANAGING THESE RISKS HAS SIGNIFICANTLY INCREASED IN LIGHT OF THE HEIGHTENED VOLATILITY IN BOTH THE PHILIPPINE AND INTERNATIONAL FINANCIAL MARKETS. WITH A VIEW TO MANAGING THESE RISKS, THE GROUP HAS INCORPORATED A FINANCIAL RISK MANAGEMENT FUNCTION IN ITS ORGANIZATION.

ITEM 7. FINANCIAL STATEMENTS

The audited consolidated financial statements meeting the requirements of Securities Regulation Code (SRC) Rule 68, together with Statement of Management's Responsibility and Auditors' Report, and supplementary schedules are attached hereto as Exhibit 1 and incorporated herein by reference.

ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

There were no changes or disagreements with Harbor Star's external auditors, Isla Lipana & Co., a member firm of PwC network, on accounting and financial statement disclosures.

8.1 INFORMATION ON INDEPENDENT ACCOUNTANT

The principal external auditor is the firm Isla Lipana & Co. The Group has engaged Mr. Pocholo C. Domondon, partner of Isla Lipana & Co., for the audit of the Group's books and accounts in 2020.

8.2 EXTERNAL AUDIT FEES AND SERVICES

Harbor Star paid its external auditors the following fees for the last three years for professional services rendered:

Table 14: Audit Fees

In PHP thousands	**2021**	**2020**	**2019**
Audit Fees	1,874	1,755	2,050

The Audit Committee makes recommendations to the Board concerning the external auditors and pre-approves audit plans, scope and frequency before the conduct of the external audit. The Audit Committee reviews the nature of the non-audit related services rendered by the external auditors and the appropriate fees paid for these services.

The reappointment of Isla Lipana and Co. as the Company's external auditors was approved by the stockholders in a regular meeting held on 08 July 2021.

PART III - CONTROL AND COMPENSATION INFORMATION

ITEM 9. DIRECTORS AND EXECUTIVE OFFICERS OF THE ISSUER

The following are the Company's Board of Directors and Key Officers as of 31 December 2021:

Table 15: Board of Directors

NAME	AGE	CITIZENSHIP	POSITION	YEAR APPOINTED
Geronimo P. Bella, Jr.	61	Filipino	Chairman of the Board	2006
Ricardo Rodrigo P. Bella	55	Filipino	Executive Director	2006
Ceasar Daniel T. Castro	47	Filipino	Director	2021
Ramon C. Liwag	65	Filipino	Director	2017
Ryota Nagata	57	Japanese	Director	2011
Gene S. De Guzman	60	Filipino	Independent Director	2020
Gemma V. Sadiua	56	Filipino	Independent Director	2020

Latest Election of Directors held 23 September 2020

Geronimo P. Bella, Jr., 61, Filipino, Chairman of the Board and President. Mr. Bella, Jr. is the Chairman of the Board and President of Harbor Star since 2006. He is also the President and Director of ASTRONERGY Development Gensan Inc (ADGI), ASTRONERGY Development F1 (ADF1), ASTRONERGY Development F2 (ADF2), Harbor Star Energy Corporation (HSEC), Harbor Star Subic Corp (HSSC), Harbor Star East Asia (Myanmar) Ltd (HSEA), and Harbor Star Construction Company (HSCC). Prior to his present position, he worked in Transpacific Towage, Inc. from 1978 to 1988 and Keppel Smit-Transpacific from 1988 to 2000. Mr. Bella, Jr. is currently the President for the Harbor Tugowners Association of the Philippines, Inc. and a director in Harbor Star Subic Corp., and Peak Flag Sdn. Bhd. He obtained his Bachelor of Science degree in Commerce, Major in Business Management from De La Salle University in 1983.

Ricardo Rodrigo P. Bella, 55, Filipino, Director and Vice President. Mr. Bella is the Vice President of Harbor Star. He is the Director and Vice President of ASTRONERGY Development Gensan Inc (ADGI), ASTRONERGY Development F1 (ADF1), ASTRONERGY Development F2 (ADF2), Harbor Star Energy Corporation (HSEC), and Harbor Star Subic Corp (HSSC). He is also the Director of Harbor Star East Asia (Myanmar) Ltd (HSEA) and Harbor Star Construction Company (HSCC). Mr. Bella participated in various training seminars in the fields of corporate management, shipbuilding repair and maintenance, and other related disciplines, locally and abroad. Prior to his role as Vice President of Harbor Star, he served as the Vice President of Transpacific Towage, Inc. from 1983 to 1998. Currently, he is a director in various corporations, namely, Harbor Star Subic Corp., Great Eastern Tug Corporation, and Bellridge Resources, Inc.He pursued undergraduate studies in Business Management at De La Salle University in 1985.

Ceasar Daniel Castro, 47, Director. Mr. Castro serves as a Director of Harbor Star Shipping Services, Inc. Currently he is the President of The Real Bank and Acting Deputy Chief Operating Officer of New San Jose Builders Inc. He obtained his Bachelor of Science degree in Commerce Major in Business Administration in University of Santo Tomas in 1996.

Ramon C. Liwag, 65, Filipino, Director. Mr. Liwag serves as a director of Harbor Star Shipping Services, Inc. Currently the President of Asia Security Education and Consultancy Inc., Inc. Member of the Philippine Military Academy Class of 1979 and served as the 23rd Commandant of the Philippine Coast Guard from 2011 to 2012. He was the commander of six (6) Coast Guard Districts and commanded five (5) Coast Guard Field Stations. He served as

Chairman in the PCG's Deputy Commandant for Operations from 2008 to 2011 and the Chairman of the PCG's Board of Marine Inquiry (BMI). He was awarded with two (2) Legion of Honor (Degree of Maginoo); Gawad sa Kaunlaran Medal; Coast Guard Outstanding Achievement Medal; Six (6) Distinguished Service Stars Medals, Military Merit Medals; Military Commendation Medals, Insurgency Campaign and Rescue and Relief Medals; and scores of Plaques / Certificates of Merit / Appreciation and Letters of Commendation in various capacities and positions both in government and civic organization.

He graduated Bachelor of Science degree in Military Education from the Philippine Military Academy in 1979. And later on, in 1996, he then took his Master's degree in M.S in Maritime Safety Administration from the World Maritime University in Sweden.

Ryota Nagata, 56, Japanese, Director. Mr. Nagata serves as a Director of Harbor Star Shipping Services Inc (HSSSI), Harbor Star Subic Corp (HSSC), and Harbor Star Energy Corporation (HSEC). Currently, he is the President of Philster Corporation. He started his career as a Sales Representative in Kirin Brewery Company Limited from 1987 to 1990. He was a Sales Representative from 1990 to 1996 in Naigai Corporation. In 2001 to 2008, he became the Vice President of Naigai Corporation and eventually became the President and CEO from 2008 to 2011. He obtained his Bachelor of Arts degree in Politics in Keio University, Japan in 1987.

Gene S. De Guzman, 60, Filipino, Independent Director. Mr. De Guzman serves as an Independent Director of Harbor Star Shipping Services, Inc. Currently, he is the Vice President and heads the Service Assurance support for the whole PLDT domestic enterprise market, including Global Bilateral partners. He obtained his Bachelor of Science degree in Electrical Engineering from the University of Sto. Tomas in 1983, and pre-Masters at Ateneo School of Business Management in 2001.

Gemma V. Sadiua, 56, Filipino, Independent Director. Ms. Sadiua serves as an Independent Director of Harbor Star Shipping Services, Inc and Director of Harbor Star Construction Company (HSCC). Currently, she is the President of Venture Management Systems Inc. She previously led and served in various institutions such as Talent Bridge, Inc., MIASCOR Aviation Products Inc., Pacific Airside Services Inc., ISLA Logistics Corporation, Rapid Airfreight Inc., and Citadel Shipping Services, Inc. She obtained her degree in Business Management in De La Salle University in 1991, and completed post-graduate studies in Business Planning in the Asian Institute of Management in 2005.

Table 16: Key Officers

NAME	AGE	CITIZENSHIP	POSITION	YEAR ASSUMED
Geronimo P. Bella, Jr.	61	Filipino	President	2006
Ricardo Rodrigo P. Bella	55	Filipino	Vice President	2006
Ignatius Loyola A. Rodriguez	51	Filipino	Corporate Secretary	2000
Dany Cleo B. Uson	59	Filipino	Treasurer, Chief Finance Officer and Compliance Officer	2020
Lorenzo C. Caranzo	54	Filipino	Operations Division Head	2018
Emmanuel L. Falcunit	42	Filipino	Operations Manager – Fleet Operations	2018

NAME	AGE	CITIZENSHIP	POSITION	YEAR ASSUMED
Rudiardo L. Arcellana	58	Filipino	Operations Manager – Salvage, Towage, Lighterage & Special Projects	2016
Jay-R L. Castillo	36	Filipino	QHSE Manager	2016
Edwin G. Amejana	55	Filipino	Commercial Manager	2008
Virginia May P. Bella	47	Filipino	Legal Services Manager	2008
Elionarda L. Refil	52	Filipino	General Services Manager	2009
Adolfo R. Isanan	50	Filipino	Accounting Manager	2020
Effel T. Santillan	44	Filipino	Human Resource Manager	2014
Maria Elizabeth Jean E. Bella	32	Filipino	Procurement Manager	2019
Ryan L. Orila	43	Filipino	ICT Manager	2018
Ronaldo C. Samong	52	Filipino	Business Development Manager for Visayas & Mindanao	2019
Marvin William Trinidad	43	Filipino	Sales & Marketing Manager	2020
Elisalde M. Fantillo	50	Filipino	Engineering & Maintenance Officer-in-Charge	2020
Edith P. Parro	42	Filipino	Admin Officer-in-Charge	2020
Marlon D. Dabu	40	Filipino	Audit Officer-in-Charge	2021

Ignatius A. Rodriguez, 51, Filipino, Corporate Secretary. Mr. Rodriguez is the Corporate Secretary of Harbor Star. He served and continues to serve as legal and business consultant to several businesses engaged in telecommunications, information technology, realty, transport, and logistics, among others. Mr. Rodriguez earned his Juris Doctor from the Ateneo Law School in 1996 and his Master in Business Administration, with honors, from the Ateneo Graduate School of Business in 2008.

Dany Cleo B. Uson, 59, Filipino, Treasurer, Chief Finance Officer & Compliance Officer. Mr. Uson is concurrently the Business Development for Asia Pacific and the Investor Relation Officer. He is also Director of ASTRONERGY Development Gensan Inc (ADGI) ASTRONERGY Development F1 (ADF1), ASTRONERGY Development F2 (ADF2), and Harbor Star East Asia (Myanmar) Ltd (HSEA). Mr. Uson served as Harbor Star's Budget Committee Head, Funds Planning & Financing and Marketing Manager before becoming the Corporate Planning Manager. He was involved in the Sales and Marketing department of a number of companies prior to his position at Harbor Star, including Servequest, Inc., Capitol Wireless, Inc., PNB Securities, Inc., G.K. Goh Securities Philippines, Fortune Life and General Insurance Co., and RGV Real Estate Center. He also worked as a Stock Trader for AAA Southeast Equities, Inc. from 1990 to 1996. Mr. Uson obtained his Bachelor of Science degree in Marketing Management and Applied Economics from De La Salle University in 1983. He took up units in MS Computational Finance at De La Salle University.

Lorenzo C. Caranzo, 54, Filipino, Operations Division Head. As of 1 October 2015, Captain Caranzo is appointed Operations Division Head of Harbor Star. He is also the Director and Operations Head of Harbor Star Subic Corp (HSSC). Prior to his appointment, he served as the Company's Safety Manager from 2006 to 2015 and served as a Captain and Master for Harbor Star from 2004 until 2006. Prior to his stint with the Company, Capt. Caranzo was the Assistant Harbor Master for Philippine National Oil Company – Petrochemical Development Corp. from 2000 to 2003, and Master Chief Mate for Loadstar International Shipping Company, Inc. from 1990 to 2000. Currently, Captain Caranzo is also a director of Harbor Star Subic Corp. He obtained his Bachelor of Science degree in Marine Transportation from Bataan Heroes University formerly (BHMC) in 1989. He also finished the Business Leadership and Management course from Ateneo De Manila School of Business in 2015..

Emmanuel L. Falcunit, 42, Filipino, Operations Manager - Fleet. Capt. Falcunit is the Operations Manager of Harbor Star. He is a homegrown employee of the company, having started as a Cadet way back 2002. Also in the same year, he went onboard as a Deck Cadet. In 2003, he officially started his career as a seaman having been a Deck Rating onboard tug. Later on, he became tug master from 2006 to 2009. Then, he went back to head office to become a Safety Officer from 2009 to 2013. He again went back onboard via Harbor Star's AHTS vessel, M/V Rho Cas, as a 2nd Mate in 2013 and later on got promoted as Chief Mate. He officially became a full-pledged Captain in 2016. By 2018, he was assigned back to head office to take on the position of Operations Manager. Capt. Falcunit obtained his degree in B.S. Marine Transportation from the Philippine Merchant Marine School. He got his Marine Deck Officer license in 2005 and got his Master Mariner license in 2016.

Rudiardo L. Arcellana, 58, Filipino, Operations Manager – Salvage, Towage, Lighterage & Special Projects. Captain Arcellana is the Operations Manager for Salvage, Towage, Lighterage & Special Projects of Harbor Star. Prior to joining Harbor Star, he served as a Master Mariner in various vessel types, trading internationally. He also worked as a Crewing Manager in Blue Manila, Inc. Captain Arcellana completed his Bachelor of Science in Marine Transportation at Philippine Merchant Marine Academy in 1985. He is a licensed Master Mariner, with diverse professional experience in Seafaring for thirty-two (32) years. He is also a MARINA Licensed instructor for IMO course 6.09 and Assessor for IMO course 3.12. His land-based experience includes crew management, technical training, and dry-docking of manned vessels.

Jay-R L. Castillo, 36, Filipino, Quality, Health, Safety, Environment (OHSE) Manager. Mr. Castillo is the OHSE Manager of Harbor Star. Prior to his appointment, he served as the Company's Safety Officer from 2014 to 2015. Before joining the Company, he served as a Occupational Health and Safety Practitioner in various companies such as Atlantic Gulf and Pacific of Manila Inc., Asian Terminals, Inc., and Toshiba. He acquired his accreditation as Occupational Safety and Health (OSH) Consultant last 2020. Mr. Castillo obtained his Bachelor of Science in Mechatronics Engineering at Batangas State University in 2007.

Edwin G. Amejana, 55, Filipino, Commercial Manager. Mr. Amejana serves as the Commercial Manager of Harbor Star. Prior to his present position in the Company, he was the Operations Officer-in-Charge from 1999 to 2006 and became the Business Development Officer in 2006 to 2008. He obtained his degree in Bachelor of Science major in Marine Transportation in Iloilo Maritime Academy in 1983.

Virginia May P. Bella, 47, Filipino, Legal Services Manager. Ms. Bella is the Legal Services Manager of Harbor Star. She is also a director and Corporate Secretary of ASTRONERGY Development Gensan Inc (ADGI), ASTRONERGY Development F1 (ADF1), and ASTRONERGY Development F2 (ADF2). Ms. Bella is currently the director of Mearnz Green Technology Proponents, Inc. and Corporate Secretary of Belleridge Resources Inc. Prior to her present positions, Ms. Bella served as Managing Director of Earthlink Resources Inc, Managing Director of Luscent Oil Services, and Legal Associate at Rondain & Mendiola Law

Offices. Ms. Bella also served as President of Bellport Shipping Corporation. She obtained her degree of Bachelor of Science Major in Biology in De La Salle University in 1993 and pursued her degree in Bachelor of Laws from San Beda College in 2000.

Elionarda L. Refil, 52, Filipino, General Services Department Manager. Ms. Refil is the General Services Department Manager of Harbor Star. She is also a Director of Harbor Star Subic Corp (HSSC). Prior to her present position in the Company, she was the HR Manager and Executive Secretary of the Company from 2006 to 2009. She obtained her Bachelor of Arts Major in Journalism in 1988 at Manuel L. Quezon University. She finished Ateneo's Leadership and Management Development Program ("LMDP") in 2010 and completed her Marters Degree in Development Communication from the University of the Philippines Open University (UPOU)m Los Banos, Laguna in 2016

Adolfo R. Isanan, 50, Accounting Manager. Mr. Isanan served as the Accounting Manager & Chief Accountant of Harbor Star from 2001 until 2008 and Comptroller from 2009 until October 2011. Mr. Isanan rejoined Harbor Star in June 2020 assuming the post of Accounting Manager. Prior to rejoining, he was employed in various companies of different industries such as manufacturing, fishing, ship building and construction which he held positions of Accountant and CFO. Among the companies he previously employed were Soonly Food Products, Inc. North Star Shipping & Marine Services, Inc, South Star Towage, Inc., RBL Fishing Corporation, RBL Shipyard and Zobel Oil Corporation. He is formerly an Accounting Professor & CPA Reviewer at the University of Manila and National College of Business & Arts with combined academic experience of fifteen (15) years. Mr. Isanan is a Certified Public Accountant by Profession who passed the CPA Licensure Examinations in May 1994. He obtained his Bachelor of Science in Business Administration Major in Accounting at the National College of Business & Arts – Manila in 1992.

Effel T. Santillan, 44, Filipino, Human Resource Manager. Ms. Santillan is the Human Resource Manager of Harbor Star. Ms. Santillan has been an HR practitioner for the past twenty-two (22) years. Prior to joining Harbor Star, she worked as an Employee Administration Manager and later headed the crew retention team of Aboitiz Jebsen Company Inc. as Crew and Family Welfare and Protection and Indemnity Manager. Aside from her 5-year experience in the shipping industry, she also worked in various industries like BPO, IT, and retail. Ms. Santillan obtained her Bachelor of Science degree in Psychology from Pamantasan ng Lungsod ng Maynila in 1998.

Maria Elizabeth Jean E. Bella, 32, Filipino, Procurement Manager. Ms. Bella is the Procurement Manager of Harbor Star. Prior to her appointment, she was the Company's Management Trainee then eventually served as the Special Assistant to the Operations Division Head from 2013 to 2015 then served as the Procurement Officer-in-Charge from 2016 to 2018. Before joining Harbor Star, Ms. Bella worked for Topcon Positioning Systems Inc. as an International Sales Assistant. She completed her degree in International Business at St. Mary's College of California in Moraga, California in 2012. She also received a certification for taking courses in Naval Architecture from Lloyd's Maritime Academy in 2013.

Ryan L. Orila, 43, Filipino and the ICT Manager of Harbor Star. He is a dynamic IT professional with over 20 years of experience in administering and maintaining various IT systems, applications, and networks. He has solid experience in IT management particularly in data center infrastructure, analytics, security, endpoint solutions, and low-code development. Prior to joining Harbor Star, he has been part of multinational companies like Philippine AXA Life Insurance Corporation, TeleTech, and AboJeb Company Inc. where he was able to hone his technical skills as an IT practitioner. He completed his degree in Computer Science from AMA Computer College in 1999.

Ronaldo Antonio C. Samong, 52, Filipino, Business Development Manager for Visayas & Mindanao. Mr. Samong served as Davao Branch Head from 2010-2019 before becoming the Business Development Manager for Visayas & Mindanao of Harbor Star. He was involved in the Sales, Marketing, and Operation department of several companies prior to his position at Harbor Star, including Essen Pharma Inc, G&G Logistic Inc, Crown Pacific Logistics, and Sumifru (Phils.) Corporation. Mr. Samong obtained his Bachelor of Arts Major in Political Science from Western Mindanao State University in 1991.

Marvin William Trinidad, 43, Filipino, Sales & Marketing Manager. Mr. Trinidad served as a Sales & Marketing Officer from 2011-2019 and Sales & Marketing Officer-in-Charge from 2019-2020 before becoming the Sales & Marketing Manager. Prior to joining Harbor Star, He was involved in the Sales & Marketing Department of a number of companies, namely, Mariveles Grain Corporation, Asian Terminals Incorporated, BCI Asia, and PCIB Cignal Life Insurance Corporation and Security Bank Corporation. Mr. Trinidad obtained his degree in B.S.C. Major in Marketing Management from San Beda University (formerly San Beda Collage) in 1999.

Elisalde M. Fantillo, 50, Filipino, Engineering & Maintenance Technical Manager. Mr Fantillo served as a Technical Auditor and Engineering & Maintenance Officer-in-Charge for more than one year before becoming the Engineering & Maintenance Technical Manager. Prior to His present position in the Company, He was the Technical Superintendent for GoldenStar Cargo Trade Shipping Corporation from 2018 until 2019, and Maintenance Supervisor for Loadstar Shipping Co. Inc. from 1996 until 2018. Mr. Fantillo obtained his degree in Bachelor of Science in Mechanical Engineering in Technological Institute of the Philippines in 1995 and Bachelor of Science in Marine Engineering in the same University in 1997. He also received a Certificate of Participation in Ship Management Course ISM Internal Audits by ClassNK Academy.

Ma. Edith P. Parro, 42, Filipino, Diving, Marine Maintenance and Construction Admin Officer-in-Charge. Honed by time and experience, Ms. Parro served as an HR Supervisor from 2017 until 2019 before becoming the Diving, Marine Maintenance and Construction Admin Officer-in-Charge. Prior to joining Harbor Star, she was engaged and exposed in different facet of Human Resource Management, Training Development and Administrative work of different industries such as Business Process Outsourcing (BPO), Manufacturing and Construction. Companies she has worked with are San R Mining & Construction Corp, Assurant BPO, Infinit Outsourcing Inc and 24/7. Ms. Parro obtained her degree in Bachelor of Science in Psychology in Ateneo de Naga University in 1999.

Marlon D. Dabu, 40, Filipino, Audit Officer-in-Charge. Mr Dabu served as an Internal Auditor from 2009-2016 and Senior Internal Auditor from 2016-2021 before becoming the Audit Officer-in-Charge. Prior to joining Harbor Star, He was the Auditor of Tri SM Professional Services before becoming the Internal Audit Supervisor of Executive Optical Inc. Mr. Dabu obtained his Bachelor in Science in Accountancy from Philippine School of Business Administration in 2002.

9.1 SIGNIFICANT EMPLOYEES

A competitive strength of the Company is its roster of technically skilled and most experienced work force in the maritime industry, led by its management team. While the Company values the contribution of each employee, no single person is expected to contribute more significant than others do to the business since the Company considers the collective efforts of all its employees as instrumental to the overall success of the Company's performance.

9.2 FAMILY RELATIONSHIPS

Mr. Geronimo P. Bella, Jr., Ricardo Rodrigo P. Bella, who are major shareholders, directors and key officers of the Company and Virginia May P. Bella who is the Legal Services Manager are siblings. Meanwhile Procurement Manager, Maria Elizabeth Jean E. Bella, is the daughter of Mr. Geronimo P. Bella, Jr.

There are no other family relationships known to the Company other than the ones disclosed.

9.3 INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS

The Company is not aware of any of legal cases which occurred during the past five years that are material to an evaluation of the ability or integrity of any of its directors/ independent directors and officers, including but not limited to the following:

a. any bankruptcy petition filed by or against any business of which a director/independent director or officer or person nominated for election as a director/independent director or officer was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;
b. any conviction by final judgment in a criminal proceeding, domestic or foreign, or any criminal proceeding, domestic or foreign, pending against any director/independent director or officer or person nominated for election as a director/independent director or officer, except as noted below;
c. any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting the involvement of any director/independent director or officer or person nominated for election as a director/independent director or officer in any type of business, securities, commodities or banking activities; and
d. any finding by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or electronic marketplace or self-regulatory organization, that any director/independent director or officer or person nominated for election as a director/independent director or officer, has violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended, or vacated.

ITEM 10. EXECUTIVE COMPENSATION

As of 31 December 2021, the following are the Company's top five (5) compensated executive officers, including its CEO/President:

Table 17: Top Five (5) Compensated Executive Officers

Name	Present Position
Geronimo P. Bella, Jr.	Chairman of the Board and President
Ricardo Rodrigo P. Bella	Director and Vice President
Ignatius A. Rodriguez	Corporate Secretary
Dany Cleo B. Uson	Chief Finance Officer and Compliance Officer
Lorenzo C. Caranzo	Operations Division Head

The following summarizes the executive compensation received by the top five (5) most highly compensated officers of the Company for 2019, 2020 and 2021. It also summarizes the aggregate compensation received by all the officers and directors, unnamed.

Table 18: Executive Compensation

Name and Position	Year	Total	Salary	Bonus	Other Annual Compensation
Geronimo P. Bella, Jr. *Chairman & President* Ricardo Rodrigo P. Bella *Director and Vice President* Ignatius A. Rodriguez *Director, Corporate Secretary, Chief of Staff, and CIO* Dany Cleo B. Uson *Chief Finance Officer* Lorenzo C. Caranzo *Operations Division Head*	2019	PHP 26,614,242	PHP 24,333,022	PHP 1,874,976	PHP 456,245
Geronimo P. Bella, Jr. *Chairman & President* Ricardo Rodrigo P. Bella *Director and Vice President* Ignatius A. Rodriguez *Director, Corporate Secretary, Chief of Staff, and CIO* Dany Cleo B. Uson *Chief Finance Officer* Lorenzo C. Caranzo *Operations Division Head*	2020	PHP 26,614,242	PHP 24,333,022	PHP 1,874,976	PHP 456,245
Geronimo P. Bella, Jr. *Chairman & President* Ricardo Rodrigo P. Bella *Director and Vice President* Ignatius A. Rodriguez *Corporate Secretary* Dany Cleo B. Uson *Chief Finance Officer* Lorenzo C. Caranzo *Operations Division Head*	2021	PHP 26,614,242	PHP 24,333,022	PHP 1,874,976	PHP 456,245
Aggregate compensation paid to all officers and directors as a group unnamed	2019	PHP 54,486,384	PHP 49,816,124	PHP 3,736,208	PHP 934,052
	2020	PHP 54,486,384	PHP 49,816,124	PHP 3,736,208	PHP 934,052
	2021	PHP 54,486,384	PHP 49,816,124	PHP 3,736,208	PHP 934,052

COMPENSATION OF DIRECTORS

Under the By-Laws of the Company, by resolution of the Board, each director shall receive a reasonable per diem allowance for his attendance at each meeting of the Board. As compensation, the Board shall receive and allocate an amount of not more than ten percent (10.0%) of the net income before income tax of the corporation during the preceding year. Such compensation shall be determined and apportioned among the directors in such manner as the Board may deem proper, subject to the approval of stockholders representing at least a majority of the outstanding capital stock at a regular or special meeting of the stockholders.

The Directors total per diem allowance for 2019, 2020 and 2021 are presented in the following table:

Table 19: Director's Per Diem Allowance

Year	Amount
2019	PHP 1,040,000
2020	PHP 1,330,927
2021	PHP 1,330,927

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

As of 31 December 2021, the Company does not know of anyone who beneficially owns in excess of 5.0% of the Company's common stock except as set forth in the table below:

11.1 SECURITY OWNERSHIP OF CERTAIN RECORD AND BENEFICIAL OWNERS OF MANAGEMENT AS OF 31 DECEMBER 2021

Table 20: Summary of Ownership of Management
As of 31 December 2021

Name	Direct	Indirect	Total direct & indirect shares	% to Total Outstanding Shares
Geronimo P. Bella, Jr.	366,012,998	225,000	366,237,998	40.94%
Ricardo Rodrigo P. Bella	241,553,487	2,205,000	243,758,487	27.00%
Ignatius A. Rodriguez	34,097	0	34,097	0.00%
Ryota Nagata	6,089,645	0	6,089,645	0.68%
Ramon C. Liwag	15,000	0	15,000	0.00%
Gene S. De Guzman	10,000	0	10,000	0.00%
Gemma V. Sadiua	10,000	0	10,500	0.00%

11.2 VOTING TRUST OF HOLDERS 5.0% OR MORE

To the best of the Company's knowledge, there were no persons holding more than 5.0% of common shares of the Company under a voting trust or similar agreement as of this writing.

11.3 CHANGES IN CONTROL

There are no arrangements which may result in a change in control of the Company as of this writing.

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Except for the material related party transactions described in Note 21 of the Company's audited financial statements for the years 2021, 2020 and 2019 there has been no material transaction during the last two years, nor is there any material transaction currently proposed, to which the Company was or is to be a party, in which any director or executive officer, any nominee for election as director, stockholder of more than ten percent (10.0%) of the Company's voting shares, and any member of the immediate family (including spouse, parents, children, siblings, and in-laws) of any such director or officer or stockholder of more than ten percent (10.0%) of the Company's voting shares had or is to have a direct or indirect material interest.

The Company has no transaction for the covered period with parties that fall outside the definition of "related parties" under PAS 24, Related Party Disclosures, but with whom the Company or its related parties has a relationship that enables the parties to negotiate terms of material transactions that may not be available from other, more clearly independent parties on an arm's length basis.

PART IV – CORPORATE GOVERNANCE

ITEM 13. CORPORATE GOVERNANCE

Harbor Star is committed to conducting all aspects of its business to the highest ethical and legal standards. On 11 December 2017, the Board of Directors adopted a revised Manual on Corporate Governance in order to monitor and assess the Company's compliance with leading practices on good corporate governance as specified in the Manual and relevant SEC circulars and memoranda.

During the Board of Directors' meeting on 29 May 2019, the board unanimously approved the Board of Director's Charter and the Insider Trading Policy.

The Board of Directors, Management, Employees and Shareholders, believe that corporate governance is a necessary component of what constitutes sound strategic business management and will therefore undertake every effort necessary to create awareness within the organization.

1. BOARD OF DIRECTORS

   Compliance with the principles of good corporate governance shall start with the Board of Directors. The Board shall act in a manner characterized by transparency, accountability and fairness. It is the Board's responsibility to foster the long-term success of the Corporation, and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the best interests of its shareholders.

   The Board shall take care of the interests of the shareholders and protect their investment through the implementation of sound corporate policies and plans while maintaining its independent assessment on Management's performance.

   The Chairman of the Board is responsible for designating a Compliance Officer to ensure that the Company adheres to the Manual and to corporate best practices.

2. INDEPENDENT DIRECTOR

   An "independent director" means a person who, apart from his/her fees and shareholdings, is independent of management and free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his/her exercise of independent judgment in carrying out his/her responsibilities as a director of the Corporation.

3. EXECUTIVE COMMITTEE

   The Executive Committee, when the Board of Directors is not in session, may exercise the powers of the Board of Directors in the management of the business and affairs of the Corporation, except with respect to: (a) approval of any action for which stockholders' approval is also required; (b) the filling of vacancies in the Board of Directors; (c) the amendment or repeal of these By-Laws or the adoption of new By-

Laws; (d) the amendment or repeal of any resolution of the Board of Directors which by its express terms is not so amendable or repealable; (e) a distribution of cash dividends to the stockholders; and (f) such other matters as may be specifically excluded or limited by the Board of Directors.

4. AUDIT COMMITTEE

The Audit Committee assists the Board in fulfilling its oversight responsibility of the Company's corporate governance processes relating to the: Financial statements and financial reporting process; Internal control systems; Internal and external auditors; Compliance with accounting standards, legal and regulatory requirements, including disclosure policies and procedures; Risk management policies and processes; and Business practices and ethical standards. The Audit Committee also ensures that, in the performance of the work of the Internal Auditor, it shall be free from interference by outside parties.

5. CORPORATE GOVERNANCE COMMITTEE

The Governance Committee assists the Board with respect to governance matters, most especially in the implementation of practices and standards to be observed in an effective stewardship environment. The Committee plays a critical role in fostering a healthier and better culture among the Board Members and Management. Part of the Committee's role is to assess the effectiveness of the Board's processes and procedures in the election or replacement of directors. The Committee also establishes a formal and transparent procedure for developing a policy on remuneration of directors and officers to ensure that their compensation is consistent with the Company's culture, strategy and the business environment in which it operates.

Harbor Star will continue to improve its corporate governance, systems and processes to enhance adherence to practices of good governance.

For further details about the Corporation's governance practices, kindly refer to the Corporation's Annual Corporate Governance Report ("ACGR").

PART V - EXHIBITS AND SCHEDULES

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

14.1 EXHIBITS

Exhibit No.	Description
1	Audited Consolidated Financial Statements as of 31 December 2021, 2020 and 2019
2	Sustainability Report

14.2 REPORTS ON SEC FORM 17-C

REPORT DATE	ITEM REPORTED
26 April 2021	Amendments to Articles of Incorporation – Inclusion of Ship Management
29 April 2021	Notice of Annual or Special Stockholders' Meeting
20 April 2021	Material Information / Transaction – Approval of Harbor Star Construction Corporation
21 May 2021	Amendments to Notice of ASM
24 May 2021	Amendments to Notice of ASM
25 May 2021	Amendments to Notice of ASM
27 May 2021	Material Information / Transactions – Nominees for Election to the Board of Directors
27 May 2021	[Amend] Material Information / Transactions – Nominees for Election to the Board of Directors
30 June 2021	Change in Directors and / or Officers – Separation from service of Company Officer
09 July 2021	Results of Annual Stockholders' Meeting
09 July 2021	Results of Organizational Board of Directors' Meeting
09 July 2021	[Amend] Amendments to Articles of Incorporation
09 July 2021	[Amend] Results of Organizational Board of Directors' Meeting
26 August 2021	[Amend] Material Information / Transactions – Salvage Project: Ambition Journey
23 September 2021	Material Information / Transactions – Salvage Project: Ambition Journey Updates

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Makati on 20 MAY 2022 day of May 2022.

By:

GERONIMO P. BELLA, JR. Principal Executive Officer	**RICARDO RODRIGO P. BELLA** Principal Operating Officer
DANY CLEO B. USON Principal Financial Officer	**IGNATIUS A. RODRIGUEZ** Corporate Secretary

SUBSCRIBED AND SWORN to before me this 20 MAY 2022 day of May 2022 affiant(s) exhibiting to me their respective government issued identification as follows:

NAMES	TIN No.
Geronimo P. Bella, Jr.	138-640-367
Ricardo Rodrigo P. Bella	162-916-129
Ignatius A. Rodriguez	123-199-139
Dany Cleo B. Uson	131-298-796

Notary Public

Doc. No. 215;
Page No. 44;
Book No. 3;
Series of 2022.

FLOR ANGELA T. SABAUPAN
Notary Public for Makati City
Appointment No. M-223
Until June 30, 2022 per B.M. No. 3795
Roll of Attorneys No. 62608
PTR No. MKT8892804 / January 31, 2022 / Makati City
IBP Lifetime No. 013018 / PPLM
MCLE Compliance No. VI - 0015638 / December 19, 2018
2224 A. Bonifacio St., corner President
Sergio Osmeña Highway, Bangkal, Makati City

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

					1	5	2	8	9	7

GROUP NAME

HARBOR STAR SHIPPING SERVICES, INC. AND ITS SUBSIDIARIES

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

2224 A BONIFACIO ST., COR. PRES. SERGIO OSMENA HIGHWAY, BANGKAL, MAKATI CITY, 1233, PHILIPPINES

Form Type	Department requiring the report	Secondary License Type, if Applicable
AFS	CRR	NA

GROUP INFORMATION

Group's Email Address	Group's Telephone Number/s	Mobile Number
dbuson@harborstar.com.ph	(+632) 8853 1578	NA

No. of Stockholders	Annual Meeting (Month/Day)	Fiscal Year (Month/Day)
		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
Dany Cleo B. Uson	dbuson@harborstar.com.ph	(+632) 8853 1578	NA

CONTACT PERSON's ADDRESS

2224 A. Bonifacio Street corner Pres. Sergio Osmeña Highway, Bangkal, Makati City, 1233, Philippines

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.

FIRST SECTION

Audited Consolidated Financial Statements with
Supplemental Schedules for the
Securities and Exchange Commission
December 31, 2021

TABLE OF CONTENTS

First Section

HARBOR STAR
SHIPPING SERVICES, INC.

MANAGEMENT SYSTEM CERTIFICATION
DNV·GL
ISO 9001 • ISO 14001
OHSAS 18001

ISU
MEMBER

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

The management of Harbor Star Shipping Services, Inc. and its Subsidiaries is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2021 and 2020, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud of error.

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

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

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

Isla Lipana & Co., the independent auditor, appointed by the stockholders, has audited the financial statements of the Group in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.

MR. GERONIMO P. BELLA JR.
PRESIDENT

MR. RICARDO RODRIGO P. BELLA
VICE PRESIDENT

MR. DANY CLEO B. USON
CHIEF FINANCE OFFICER

Signed this 13th day of May, 2022.

HARBOR STAR
SHIPPING SERVICES, INC.

DNV·GL ISO 9001 • ISO 14001 OHSAS 18001

ISU MEMBER

REPUBLIC OF THE PHILIPPINES)
CITY OF MAKATI) S.S.

SUBSCRIBED AND SWORN TO BEFORE ME, this ______ day of 2 0 MAY 2022, 2022, affiants exhibiting to me the following:

Name	Community Tax Certificate	Date / Place Issued
GERONIMO P. BELLA JR.	# 26777068	05 Jan 2022 / Makati City
RICARDO RODRIGO P. BELLA	# 26777071	05 Jan 2022/ Makati City
DANY CLEO B. USON	# 26777072	05 Jan 2022/ Makati City

Doc. No. 216;
Page No. 45;
Book No. 3;
Series of 2022.

FLOR ANGELA T. SABAUPAN
Notary Public for Makati City
Appointment No. M-223
Until June 30, 2022 per B.M. No. 3795
Roll of Attorneys No. 62608
PTR No. MKT8892804 / January 31, 2022 / Makati City
IBP Lifetime No. 013018 / PPLM
MCLE Compliance No. VI - 0015638 / December 19, 2018
2224 A. Bonifacio St., corner President
Sergio Osmeña Highway, Bangkal, Makati City

Isla Lipana & Co.

Independent Auditor's Report

To the Board of Directors and Shareholders of
Harbor Star Shipping Services, Inc. and Subsidiaries
2224 A. Bonifacio St., corner Pres. Sergio Osmeña Highway
Bangkal, Makati City

Report on the Audits of Consolidated Financial Statements

Our Opinion

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

What we have audited

The consolidated financial statements of the Group comprise:

- the consolidated statements of financial position as at December 31, 2021 and 2020;
- the consolidated statements of total comprehensive income for each of the three years in the period ended December 31, 2021;
- the consolidated statements of changes in equity for each of the three years in the period ended December 31, 2021;
- the consolidated statements of cash flows for each of the three years in the period ended December 31, 2021; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics), together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics.

Our Audit Approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgments; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Key audit matters

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

Key audit matters identified in our audit pertain to revenue recognition and impairment of goodwill:

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition	
Refer to Notes 15 and 27.24 to the consolidated financial statements for the corresponding details and discussion of the Group's policy on revenue recognition. For the year ended December 31, 2021 the Group has recognized net revenue amounting to P1.9 billion. This is an area of focus due to the Group's various revenue streams that are recognized under different contractual arrangements, which include harbour assistance, lighterage services, salvage income, towing services, construction revenue and energy fees. There is an inherent risk of cut-off across all revenue streams given the Group's centralized accounting function that relies on certain manual systems to process high volume of transactions.	We have addressed this matter by performing controls testing and substantive testing to cover all assertions surrounding revenue which include: • Evaluating and validating controls surrounding revenue recognition; • Assessed the consistency of the application of the revenue recognition policy for the Group's various revenue streams and evaluated compliance with PFRS 15, Revenue from contracts with customers. • Performed test of details of sales transactions; • Performed review of manual adjustments to revenue; • Performed cut-off testing by validating revenue recognized days before and after year-end through inspection of related documents that evidenced the delivery of services rendered; and

Key Audit Matter	How our audit addressed the Key Audit Matter
	• Performed test of subsequent collection of trade receivable balances as at year-end. Our revenue cut-off procedures resulted in an adjustment which was properly taken up in the Group's financial statements as at and for the year ended December 31, 2021.
Impairment of goodwill Refer to Notes 1.2 and 27.3 to the consolidated financial statements for the corresponding details and discussion of Group's policy on goodwill. The Group has an existing goodwill arising from its acquisition of Astronergy Development Gensan Inc., Astronergy Development F1 Inc., and Astronergy Development F2 Inc. in 2017 and 2018. Under PAS 36, Impairment of Assets, the amount of goodwill is required to be tested annually for impairment. This annual impairment test was significant to our audit since the goodwill amounting to P154.2 million as at December 31, 2021 is material to the consolidated financial statements. In addition, management's assessment process is complex and is based on management judgment and assumptions, specifically forecasted revenue growth rate and pre-tax adjusted discount rate, which are affected by expected future market or economic conditions.	Our audit procedures included, among others, using a valuation expert to assist us in evaluating the assumptions and methodologies used in management's valuation. We found the methodology used in valuation to be appropriate and consistently applied. The procedures performed to assess the reasonableness of management's assumptions include, among others, the following: • Forecasted revenue growth rate We have assessed revenue growth based on the Group's renewable energy supply agreement with its sole customer and solar power plant's actual capacity. • Pre-tax adjusted discount rate We have involved our valuation experts to independently assess the reasonableness of inputs used in the weighted average cost of capital calculations, which is the basis of discount rate, with reference to comparable companies. • Other key assumptions We tested the reasonableness of costs and expenses based on historical results and future economic outlook.

Key Audit Matter	How our audit addressed the Key Audit Matter
	In testing the discounted cash flow calculation, we also performed the following: • Tested the mathematical accuracy of the discounted cash flow calculation; • Tested the determination and calculation of the carrying amount of the cash generating unit (CGU); and • Performed sensitivity analysis of certain assumptions such as discount rate and revenue growth rate to ensure that no reasonable change in the assumptions would cause the carrying amount of the CGU to exceed its recoverable amount.

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) and SEC Form 17-A (Annual Report), but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement) and SEC Form 17-A (Annual Report) are expected to be made available to us after the date of this auditor's report.

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

In connection with our audit of the consolidated 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 consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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 consolidated 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.

The engagement partner on the audit resulting in this independent auditor's report is Pocholo C. Domondon.

Isla Lipana & Co.

Pocholo C. Domondon
Partner
CPA Cert. No. 108839
P.T.R. No. 0011401; issued on January 6, 2022 at Makati City
SEC A.N. (individual) as general auditors 108839-SEC, Category A;
valid to audit 2021 to 2025 financial statements
SEC A.N. (firm) as general auditors 0142-SEC, Category A;
valid to audit 2020 to 2024 financial statements
T.I.N. 213-227-235
BIR A.N. 08-000745-128-2021; issued on December 9, 2021; effective until December 8, 2024
BOA/PRC Reg. No. 0142, effective until January 21, 2023

Makati City
May 17, 2022

Statements Required by Rule 68, Securities Regulation Code (SRC)

To the Board of Directors and Shareholders of
Harbor Star Shipping Services, Inc. and Subsidiaries
2224 A. Bonifacio St., corner Pres. Sergio Osmeña Highway
Bangkal, Makati City

We have audited the consolidated financial statements of Harbor Star Shipping Services, Inc. and Subsidiaries (the "Group") as at and for the year ended December 31, 2021, on which we have rendered the attached report dated May 17, 2022. The supplementary information shown in the Reconciliation of Parent Company's Retained Earnings Available for Dividend Declaration and A Map Showing the Relationships between and among the Parent Company and its Subsidiaries and Associates as required by Part I Section 5 of the Revised SRC Rule 68, and Schedules A, B, C, D, E, F, G as required by Part II Section 6 of the Revised SRC Rule 68, are presented for purposes of filing with the Securities and Exchange Commission and are not required parts of the basic financial statements. Such supplementary information and schedules are the responsibility of management and have been subjected to the auditing procedures applied in the audit of the basic financial statements. In our opinion, the supplementary information and schedules have been prepared in accordance with the Revised SRC Rule 68 of the Securities Regulation Code.

Isla Lipana & Co.

Pocholo C. Domondon
Partner
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Makati City
May 17, 2022

Independent Auditor's Report on
Components of Financial Soundness Indicators

To the Board of Directors and Shareholders of
Harbor Star Shipping Services, Inc. and Subsidiaries
2224 A. Bonifacio St., corner Pres. Sergio Osmeña Highway
Bangkal, Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Harbor Star Shipping Services, Inc. and Subsidiaries (the "Group") as at December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021, and have issued our report thereon dated May 17, 2022. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the 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 consolidated financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021 and no material exceptions were noted.

Isla Lipana & Co.

Pocholo C. Domondon
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Makati City
May 17, 2022

Harbor Star Shipping Services, Inc. and Subsidiaries

Consolidated Statements of Financial Position
As at December 31, 2021 and 2020
(All amounts in Philippine Peso)

	Notes	2021	2020
ASSETS			
Current assets			
Cash and cash equivalents	2	263,963,505	272,482,354
Trade and other receivables, net	3	958,538,127	742,962,145
Prepayments and other current assets	4	306,421,599	298,087,640
Total current assets		1,528,923,231	1,313,532,139
Non-current assets			
Property and equipment at revalued amounts, net	6	1,662,874,369	1,435,466,294
Property, plant and equipment at cost, net	7	2,224,463,388	2,331,965,971
Right-of-use assets, net	22	76,928,280	78,064,029
Computer software, net	8	19,417,260	23,576,028
Investment properties	9	52,193,905	48,540,371
Investments in associates	5	207,277,546	198,030,532
Goodwill	1.2	154,207,159	154,207,159
Deferred income tax assets, net	23	-	33,776,867
Other non-current assets, net	10	282,960,635	296,852,142
Total non-current assets		4,680,322,542	4,600,479,393
Total assets		6,209,245,773	5,914,011,532
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	11	638,781,516	474,918,043
Short-term loans	12	522,271,500	498,000,000
Borrowings, current portion	12	259,267,337	2,292,303,962
Lease liabilities, current portion	22	6,771,855	5,044,918
Advances from related parties	21	8,515,256	7,815,256
Income tax payable		296,623	315,421
Total current liabilities		1,435,904,087	3,278,397,600
Non-current liabilities			
Trade payables, net of current portion	11	15,248,351	11,732,037
Non-current portion of loans payable	12	-	69,289
Borrowings, net of current portion	12	3,311,898,604	1,300,387,582
Lease liabilities, net of current portion	22	31,831,492	35,587,910
Deferred income tax liabilities, net	23	49,454,041	-
Retirement benefit obligation	20	105,989,538	124,458,585
Total non-current liabilities		3,514,422,026	1,472,235,403
Total liabilities		4,950,326,113	4,750,633,003
Equity			
Attributable to owners of the Parent Company			
Share capital	13	907,857,870	907,857,870
Additional paid-in-capital	13	121,632,762	121,632,762
Revaluation surplus, net of tax	6	286,743,411	70,903,774
Cumulative translation difference	27.23	(7,874,394)	(6,580,388)
Fair value reserve on financial assets at fair value through other comprehensive income		(160,000)	(160,000)
Treasury shares	13	(37,614,990)	(37,614,990)
Retained earnings (Deficit)		(32,194,999)	93,971,704
		1,238,389,660	1,150,010,732
Non-controlling interest		20,530,000	13,367,797
Total equity		1,258,919,660	1,163,378,529
Total liabilities and equity		6,209,245,773	5,914,011,532

The notes on pages 1 to 68 are integral part of these consolidated financial statements.

Harbor Star Shipping Services, Inc. and Subsidiaries

Consolidated Statements of Total Comprehensive Income
For each of the three years in the period ended December 31, 2021
(All amounts in Philippine Peso)

	Notes	2021	2020	2019
Service income, net	15	1,909,339,548	1,682,550,411	1,396,054,651
Cost of services	16	(1,366,189,664)	(1,228,754,317)	(1,111,421,445)
Gross profit		543,149,884	453,796,094	284,633,206
General and administrative expenses	17	(336,685,866)	(314,961,506)	(344,714,704)
Net impairment losses on financial assets	17	(99,678,286)	(100,154,554)	(84,118,102)
Other income (loss), net	19	(3,803,930)	67,265,192	(14,618,721)
Operating profit (loss)		102,981,802	105,945,226	(158,818,321)
Finance cost				
Interest expense	12,22	(270,326,344)	(274,705,862)	(256,617,636)
Foreign exchange income (loss) on borrowings	12,24	264,670	-	(28,546)
		(270,061,674)	(274,705,862)	(256,646,182)
Share in profit of associates	5	20,278,057	82,309,037	15,916,905
Loss before income tax		(146,801,815)	(86,451,599)	(399,547,598)
Income tax (expense) benefit	23	(11,209,506)	1,521,629	23,292,113
Loss for the year		(158,011,321)	(84,929,970)	(376,255,485)
Other comprehensive income (loss)				
Items that will not be subsequently reclassified to profit or loss				
Revaluation increment on tugboats, net of tax	6	227,705,159	-	-
Remeasurements on retirement benefits, net of tax	20	25,807,454	2,017,509	(11,084,958)
Share in other comprehensive loss of associates	5	-	-	(282,000)
Total other comprehensive income (loss), net of tax		253,512,613	2,017,509	(11,366,958)
Total comprehensive income (loss) for the year		95,501,292	(82,912,461)	(387,622,443)
Loss attributable to:				
Owners of the parent	14	(166,628,380)	(99,229,074)	(370,200,311)
Non-controlling interest		8,617,059	14,299,104	(6,055,174)
		(158,011,321)	(84,929,970)	(376,255,485)
Total comprehensive income (loss) attributable to:				
Owners of the parent		86,884,233	(97,211,565)	(381,567,269)
Non-controlling interest		8,617,059	14,299,104	(6,055,174)
		95,501,292	(82,912,461)	(387,622,443)
Loss per share				
Basic and diluted	14	(0.19)	(0.11)	(0.41)

The notes on pages 1 to 68 are integral part of these consolidated financial statements.

Harbor Star Shipping Services, Inc. and its Subsidiaries

Consolidated Statements of Changes in Equity
For each of the three years in the period ended December 31, 2021
(All amounts in Philippine Peso)

		Equity attributable to owners of the Parent Company									
	Notes	Share capital (Note 13)	Treasury stock (Note 13)	Additional paid-in capital (Note 13)	Revaluation surplus (Note 6)	Cumulative translation difference (Note 27.23)	Fair value reserve on financial assets at fair value through other comprehensive income	Retained earnings	Total	Non-controlling interest	Total equity
Balances at January 1, 2019		907,857,870	(10,853,670)	121,632,762	98,673,546	(6,811,095)	(160,000)	545,751,726	1,656,091,139	4,841,894	1,660,933,033
Comprehensive loss											
Loss for the year		-	-	-	-	-	-	(370,200,311)	(370,200,311)	(6,055,174)	(376,255,485)
Other comprehensive loss											
Remeasurements on retirement benefits, net of tax	20	-	-	-	-	-	-	(11,084,958)	(11,084,958)	-	(11,084,958)
Share of other comprehensive loss of associate	5	-	-	-	-	-	-	(282,000)	(282,000)	-	(282,000)
Total comprehensive loss		-	-	-	-	-	-	(381,567,269)	(381,567,269)	(6,055,174)	(387,622,443)
Depreciation transfer of revaluation surplus	6	-	-	-	(18,520,384)	-	-	18,520,384	-	-	-
Transactions with owners											
Acquisition of treasury shares	13	-	(26,761,320)	-	-	-	-	-	(26,761,320)	-	(26,761,320)
Translation adjustments	27.23	-	-	-	-	42,768	-	(770,987)	(728,219)	52,271	(675,948)
Balances at December 31, 2019		907,857,870	(37,614,990)	121,632,762	80,153,162	(6,768,327)	(160,000)	181,933,854	1,247,034,331	(1,161,009)	1,245,873,322
Comprehensive loss											
Loss for the year		-	-	-	-	-	-	(99,229,074)	(99,229,074)	14,299,104	(84,929,970)
Other comprehensive income		-	-	-	-	-	-	-	-	-	-
Remeasurements on retirement benefits, net of tax	20	-	-	-	-	-	-	2,017,509	2,017,509	-	2,017,509
Total comprehensive income (loss)		-	-	-	-	-	-	(97,211,565)	(97,211,565)	14,299,104	(82,912,461)
Depreciation transfer of revaluation surplus	6	-	-	-	(9,249,388)	-	-	9,249,388	-	-	-
Translation adjustments	27.23	-	-	-	-	187,939	-	27	187,966	229,702	417,668
Balances at December 31, 2020		907,857,870	(37,614,990)	121,632,762	70,903,774	(6,580,388)	(160,000)	93,971,704	1,150,010,732	13,367,797	1,163,378,529
Comprehensive income											
Loss for the year		-	-	-	-	-	-	(166,628,380)	(166,628,380)	8,617,059	(158,011,321)
Other comprehensive income		-	-	-	-	-	-	-	-	-	-
Remeasurements on retirement benefits, net of tax	20	-	-	-	-	-	-	25,807,454	25,807,454	-	25,807,454
Revaluation increment on tugboats, net of tax	6	-	-	-	227,705,159	-	-	-	227,705,159	-	227,705,159
Total comprehensive income		-	-	-	227,705,159	-	-	(140,820,926)	86,884,233	8,617,059	95,501,292
Depreciation transfer of revaluation surplus	6	-	-	-	(11,865,522)	-	-	11,865,522	-	-	-
Translation adjustments	27.23	-	-	-	-	(1,294,006)	-	2,788,701	1,494,695	(1,454,856)	39,839
Balances at December 31, 2021		907,857,870	(37,614,990)	121,632,762	286,743,411	(7,874,394)	(160,000)	(32,194,999)	1,238,389,660	20,530,000	1,258,919,660

The notes on pages 1 to 68 are integral part of these consolidated financial statements.

Harbor Star Shipping Services, Inc. and its Subsidiaries

Consolidated Statements of Cash Flows
For each of the three years in the period ended December 31, 2021
(All amounts in Philippine Peso)

	Notes	2021	2020	2019
Cash flows from operating activities				
Loss before income tax		(146,801,815)	(86,451,599)	(399,547,598)
Adjustments for:				
Depreciation and amortization	6,7,10,16,17	430,799,762	445,085,097	418,503,707
Interest expense	11,12,22	270,326,344	274,705,862	256,617,636
Net impairment losses on financial assets	17	99,678,286	100,154,554	84,118,102
Loss on debt restructuring, net	12,19	45,047,143	-	-
Retirement benefit expense	18,20	16,337,765	16,512,770	16,332,353
Provision for assessment	17	12,094,358	601,902	28,672,234
Provision for impairment of input VAT	10,17	8,283,382	9,058,444	9,058,444
Amortization of computer software	8	7,259,577	6,797,074	-
Amortization of right-of-use assets	22	6,805,996	19,262,991	19,129,320
Loss on sale of property, plant and equipment	19	5,104,687	(4,771,817)	-
Share in profit of associate	5	(20,278,057)	(82,309,037)	(15,916,905)
Unrealized foreign exchange loss (gain), net	24	(247,722)	311,648	1,755,520
Interest income	2,19	(108,971)	(404,660)	(886,384)
Provision for loss on construction advances	4,19	-	21,580,622	2,940,464
Direct write-off of accounts receivable	17	-	6,825,051	5,534,061
Reversal of property and equipment		-	6,165	-
Gain on reversal of finance lease liability	19	-	(8,703,120)	(2,363,989)
Operating profit before changes in working capital		734,300,735	718,261,947	423,946,965
Decrease (Increase) in:				
Prepayments and other current assets		(10,389,292)	227,179,350	(218,587,862)
Advances to a related party		-	(1,183,533)	(553,159)
Other non-current assets		3,986,658	(18,492,216)	(45,732,478)
Trade and other receivables		(315,254,267)	(290,173,736)	(97,584,617)
Increase (Decrease) in:				
Trade and other payables		209,351,794	131,450,147	1,082,811,469
Advances from related parties		700,000	570,766	(8,211,843)
Cash generated from operations		622,695,628	767,612,725	1,136,088,475
Interest received		108,971	404,660	886,384
Income taxes paid		(3,578,488)	(8,351,961)	(25,155,047)
Retirement obligation paid	20	(511,912)	(2,789,610)	(1,624,345)
Net cash provided by operating activities		618,714,199	756,875,814	1,110,195,467
Cash flows from investing activities				
Dividends received	5	11,031,043	776,963	-
Proceeds from disposal of property, plant and equipment	7	10,578,000	11,037,179	-
Acquisition of property, plant and equipment and computer software	6,7,8	(249,126,664)	(237,350,078)	(2,302,051,107)
Acquisition of investment properties	9	(3,653,534)	(913,384)	-
Net cash used in investing activities		(231,171,155)	(226,449,320)	(2,302,051,107)
Cash flows from financing activities				
Proceeds from borrowings	12	50,737,392	185,222,121	3,993,012,609
Net proceeds from (payments of) short-term loans	12	24,271,500	(1,750,000)	34,750,000
Payment of interest on borrowings	12	(259,999,319)	(179,176,315)	(283,221,324)
Payments of borrowings	12	(202,284,940)	(354,684,359)	(2,708,926,799)
Payment of lease liabilities	22	(6,892,929)	(5,628,886)	(26,535,598)
Payment of interest on lease liabilities	22	(1,876,649)	(1,193,385)	(6,225,067)
Acquisition of treasury shares	13	-	-	(26,761,320)
Net cash provided by (used) financing activities		(396,044,945)	(357,210,824)	976,092,501
Net increase (decrease) in cash and cash equivalents		(8,501,901)	173,215,670	(215,763,139)
Cash and cash equivalents				
Beginning of year		272,482,354	99,449,755	316,560,503
Effect of foreign exchange rate changes on cash and cash equivalents		(16,948)	(183,071)	(1,347,609)
End of year	2	263,963,505	272,482,354	99,449,755

The notes on pages 1 to 68 are integral part of these consolidated financial statements.

Harbor Star Shipping Services, Inc. and Subsidiaries

Notes to the Consolidated Financial Statements
As at December 31, 2021 and 2020 and
for each of the three years in the period ended December 31, 2021
(In the notes, all amounts are shown in Philippine Peso unless otherwise stated)

Note 1 - Business information

1.1 General information

Harbor Star Shipping Services, Inc. (the "Parent Company") was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on July 5, 1988, primarily to engage in harbor assistance (docking and undocking), ship salvage, towage/lighterage and specialized cargo handling operations and other marine services.

In July 2012, the Parent Company commenced activities for an initial public offering (IPO) of its common shares in the Philippines. On October 29, 2012, the Parent Company submitted its Registration Statement to the Philippine SEC. On October 30, 2013, the Parent Company completed its listing in the Philippine Stock Exchange (PSE) and became a public Company (Note 13). The Group did not have any follow-on offering subsequent to its initial public offering.

As at December 31, 2021, the Parent Company has 119 shareholders, 117 of which holds at least 100 common shares (2020 - 110). The Parent Company's major shareholders are its own directors holding 68.88% of its total issued shares and the remaining 31.12% of total issued shares as at December 31, 2021 and 2020 and are held by the public.

The Group's registered office, which is also its principal place of business, is located at 2224 A. Bonifacio Street corner Pres. Sergio Osmena Highway, Brgy. Bangkal, Makati City, 1233, Philippines. It has 539 employees as at December 31, 2021 (2020 - 581 employees).

1.2 Significant developments

Acquisition of Astronergy Development Gensan Inc. (ADGI);
Astronergy Development F1 Inc. (ADF1) and Astronergy Development F2 Inc. (ADF2)

On October 6, 2017, the Parent Company's BOD resolved to acquire 60% shareholdings of ADGI, an entity engaged in power generation through renewable energy through HSEC, a new subsidiary. On the same date, which became the acquisition date, a total of 599,997 shares were acquired, representing 60% of the issued and outstanding shares of ADGI. As a result, ADGI became a subsidiary of HSEC effective October 6, 2017.

ADGI was registered with the Department of Energy (DOE), with Registration No. SESC 2014-12-096 on December 29, 2014, as a Renewable Energy (RE) Developer of Solar Energy Resources. Pursuant to Section 15 Chapter VI of Republic Act (RA) No. 9513, An Act Promoting The Development, Utilization and Commercialization of Renewable Energy Resources and For Other Purposes, ADGI, as RE Developer, is entitled to certain incentives including income tax holiday (ITH) for the first seven (7) years of its commercial operations.

ADGI has permits, licenses and entitlements to operate 25MW, expandable to 75MW, solar power plant in General Santos. ADGI has been issued a Certificate of Commerciality by the DOE and has an existing ERC-approved Power Purchase Agreement (PPA) with South Cotobato II Electric Cooperative, Inc. ("SOCOTECO II"). Under the PPA, SOCOTECO-II will purchase all the energy output from the project. On March 15, 2018, the Parent Company's BOD resolved to acquire the following shares of stocks through HSEC, its subsidiary:

- 40% additional shareholdings of ADGI
- 100% shareholdings of Astronergy Development F1 Inc. (ADF1)
- 100% shareholdings of Astronergy Development F2 Inc. (ADF2)

On April 12 and October 18, 2018, HSEC acquired the remaining 25% and 15% shareholdings of ADGI which represents 250,000 and 150,000 shares of stock, respectively for a total of P75,108,479. The acquisition resulted in the reversal of NCI and a charge to retained earnings amounting to P18,695,948 and P83,342,728, respectively. The acquisition of the remaining shares of stocks made ADGI a wholly-owned subsidiary of HSEC.

The total consideration given with respect to the acquisition of ADGI's 60% shares and 100% shares of ADFI and ADF2 is P147,453,712. Provisional goodwill amounting to P48,603,347 recognized in 2017 was then subsequently adjusted in 2018 to P154,207,159 which considered likewise subsequent acquisition that pertains to the same PPA. The goodwill is attributable to the continuing operations of the acquired businesses. It will not be deductible for tax purposes.

ADF1 and ADF2 have their own ancillary permits and contracts to support the expansion of the 25 MW ADGI solar power plant to 75MW.

On July 27, 2019, ADGI started the commercial operation of its solar power plant in Sitio Changco, Brgy. Bawing, General Santos City, South Cotabato with a capacity of 25MW.

Cash paid for the acquisitions

Cash paid for the acquisition of 60% of ADGI amounting to P20,559,425 is presented net of cash from acquired subsidiary of P50,000 for a net cash paid of P20,509,425 in the consolidated statement of cash flows for the year ended December 31, 2017. In 2018, the cash paid was subsequently adjusted by P20,161,428 due to adjustments in purchase price.

Cash paid for the acquisition of 100% of ADF1 and ADF2 amounting to P147,053,712 is presented net of cash from acquired subsidiaries in the consolidated statement of cash flows for the year ended December 31, 2018.

On May 29, 2019, ADGI has received the Certificate of Approval of Increase in Capital Stock from the SEC. The authorized capital stock was increased from P2,000,000 divided into 2,000,000 shares with a par value of P1 each to P600,000,000 divided into 600,000,000 shares with a par value of P1. Subsequently, HSEC, the parent company of ADGI subscribed to an additional 300,000,000 shares with a par value of P1 for a total of P300,000,000. HSEC has settled P92,000,000 from the subscribed amount through application of its advances of deposit for future subscription.

On December 3, 2019, Energy Regulatory Commission (ERC) granted the Certificate of Compliance (COC No. 19-12-M-00188M) to ADGI after having found to comply with all the requirements in the 2014 Revised COC Rules, the Philippine Grid Code, the Philippine Distribution Code, the Wholesale Electricity Spot Market (WESM) Rules and related laws, orders and regulations. The COC shall be valid for a period of five (5) years, from December 31, 2019 to December 2, 2024, and its application for renewal shall be filed at least six (6) months before its expiration date.

In 2020, ADGI commenced commercial operations for the entire year. On January 26, 2021, SOCOTECO II and ADGI filed an Application on ERC Case No. 2013-2017 RC seeking the Commission's approval of their Renewable Energy Supply Agreement (RESA) for issuance of final authority and collection for the supply of power based on the RESA as at December 31, 2020. In 2020, ADGI has submitted to the ERC all documents to support their claims. As at reporting date, ADGI is awaiting for final ruling from the ERC.

Critical accounting estimate

Impairment of goodwill

The Group's goodwill is carried at cost and is reviewed annually for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Changes in those assessment and judgment could have a significant effect on the carrying value of goodwill and the amount and timing of recorded provision for any period. Goodwill is monitored by the Group's management following its acquisition of ADGI, ADF1 and ADF2.

As at December 31, 2021 and 2020, based on management's assessment and judgment, there is no indication of impairment of goodwill since the recoverable amount of the CGU is higher than the carrying value.

As at December 31, 2021 and 2020, the recoverable amount of ADGI's business was determined based on value in use calculation (using Level 3 inputs) using certain assumptions. The calculations made use of cash flow projections based on financial forecasts. The significant assumptions affecting the cash flow projections is limited to the pre-tax adjusted discount rate.

The cash flow forecasts reflect management's expectations of revenue growth, operating costs and margins based on past experience and outlook, consistent with internal measurements and monitoring.

Pre-tax adjusted discount rate applied to the cash flow forecasts is derived using the weighted average cost of capital as at December 31, 2021. The pretax discount rate used amounted to 13% and 9% in 2021 and 2020, respectively.

Other significant investments in 2018

On April 20, 2018, the Parent Company subscribed to 97% or equivalent to 48,500 shares of the 50,000 authorized shares of Harbor Star East Asia (Myanmar) Limited (HSEAM) and paid 50% of the subscription amounting to P1,354,522 which gave the Parent Company 100% controlling interest over HSEAM.

HSEAM was incorporated on February 6, 2018 in The Republic of the Union of Myanmar in accordance with Myanmar Companies Act under Registration and Permit no. 1054FC/2017-2018 (YGN) as a Private Company. HSEAM is engaged in providing consultancy and support services, underwater, marine and maritime- related business in Myanmar. The period of the validity of the permit is from February 6, 2018 to February 5, 2023.

On August 16, 2018, the Parent Company subscribed to 31% (218,464 shares) of the 705,924 authorized shares of Hi-Energy Marine Services, Inc. (HEMSI) and paid 100% of the subscription amounting to P85,368,973. As a result, HEMSI became an associate.

HEMSI was incorporated and registered with the SEC on February 13, 2012 primarily to engage in towage, mooring, maritime commerce and navigation.

Other significant investments in 2019

On September 20, 2019, the Parent Company subscribed to 29% or equivalent to 5,799 shares of the 100,000 authorized shares of Harbor Star East Asia (Thailand) Co. (HSEAT). The total subscribed amount of P49,651 has yet to be paid as at December 31, 2019. The subscribed shares of 29% and a seat in the BOD gave the Parent Company controlling interest over HSEAT.

HSEAT was incorporated and registered with The Partnership and Company Registration Office of Bangkok Metropolis in Thailand on September 20, 2019. HSEAT is primarily engaged in providing transportation and warehousing in Thailand.

Its registered address is 589/2 Central City Tower 1, 17th floor, Debaratana Road, Bangnaneua Subdistrict, Bangna District, Bangkok.

Other business updates

On January 29, 2020, the Maritime Industry Authority (MARINA) issued its first endorsement that it has no objection to the amendment of the Second Article of the Articles of Incorporation of TUGS authorizing it to engage in operation of maritime schools/ educational/training facilities. This is in line with the process of applying for an amendment on AOI with the SEC based on the BOD resolution issued last March 6, 2017. On July 7, 2020, the SEC approved the amendment of the AOI.

On September 8, 2020, the Parent Company has been accredited by the Philippine Contractors Accreditation Board (PCAB) for General Building and Engineering. The Parent Company is licensed to perform both private and public construction work which includes building, rehabilitating and repairing roads, piers, terminations and other infrastructure.

On February 2, 2021, the BOD has been informed that HSEAT would be closed due to continuing expenses with no operations. On April 23, 2021, the BOD has been informed that HSEAM would be suspending its operations while the Company is complying with the requirements to permanently wind-up. On November 11, 2021, HSEAT has completed the registration of its liquidation.

On March 17, 2021, the Parent Company has subscribed to 29,999,999 shares of Harbor Star Construction Corporation (HSCC) for a total amount of P29,999,997, which gave the Group 100% controlling interest over HSCC.

On April 23, 2021, the SEC has approved the Certificate of Incorporation of Harbor Star Construction Corporation (HSCC). HSCC's primary purpose is to engage in the business of general building construction and other allied business including the constructing, developing, repairing, altering, enlarging, removing, restoring, designing, or otherwise engaging in any construction jobs of all description or works.

1.3 Consolidation

As at December 31, the consolidated financial statements include the Parent Company and its Subsidiaries, namely, Harbor Star Subic Corp., Peak Flag SDN BHD; HSEC; HSEAM; HSCC; ADGI; ADF1 and ADF2, collectively referred to as the “Group”.

The principal activities of the subsidiaries and associates are set out below.

	Relationship	% of interest held 2021	% of interest held 2020	Registered place of business/ Country of incorporation	Main activity
Harbor Star Subic Corp. (HSSC)	Subsidiary	100%	100%	Philippines	HSSC was incorporated on September 17, 2015 and registered in the Philippines primarily to engage in marine-related ancillary services such as harbor assistance, towage, lighterage, oil spill response and underwater marine services. Its registered address, which is also its principal place of business, is located at Units 9 and 10, Alava Quay, Waterfront Road, Subic Bay Freeport Zone, Subic, Zambales.
Harbor Star Energy Corporation (HSEC)	Subsidiary	100%	100%	Philippines	HSEC was incorporated on May 11, 2017 and registered in the Philippines primarily to engage in the production and sale of renewable energy. Its registered address is at 2224 A. Bonifacio cor Pres. Osmeña Bangkal Makati, Metro Manila.
Peak Flag SDN BHD (Peak Flag)	Subsidiary	45%	45%	Malaysia	Peak Flag was incorporated and registered in Malaysia, primarily to carry on the business of providing tugboat harbor assist/ marine support services. Its registered address, which is also its principal place of business, is at Suite N-6-04, The Gamuda Biz Suites, No.12, Persiaran Anggerik Vanilla 31/99 Seksyen 31, Kota Kemuning 40460 Shah Alam, Selangor.
Astronergy Development Gensan, Inc. (ADGI)	Subsidiary (indirect)	100%	100%	Philippines	In 2018, HSEC completed full subscription to total share of ADGI, an entity engaged in power generation through renewable energy. Its registered address is at Unit 202 Midway Court Building, EDSA Mandaluyong, Metro Manila and principal place of business is at 2224 A. Bonifacio St. corner Pres. Sergio Osmeña Highway, Brgy. Bangkal, Makati City.
Astronergy Development F1 Inc. (ADF1)	Subsidiary (indirect)	100%	100%	Philippines	During 2018, HSEC acquired 100% ownership of Astronergy Development F1 Inc., an entity engaged in power generation through renewable energy (Note 1.2). ADF1 has not started commercial operations as at December 31, 2021. Its registered address, which is also its principal place of business, is at 2224 A. Bonifacio Street corner President Sergio Osmeña Highway, Bangkal, Makati City, Philippines.
Astronergy Development F2 Inc. (ADF2)	Subsidiary (indirect)	100%	100%	Philippines	During 2018, HSEC acquired 100% ownership of Astronergy Development F2 Inc., an entity engaged in power generation through renewable energy (Note 1.2). ADF2 has not started commercial operations as at December 31, 2021. Its registered address, which is also its principal place of business, is at 2224 A. Bonifacio Street corner President Sergio Osmeña Highway, Bangkal, Makati City, Philippines.

	Relationship	% of interest held 2021	2020	Registered place of business/ Country of incorporation	Main activity
Harbor Star East Asia (Myanmar) Limited (HSEAM)	Subsidiary	100%	100%	Myanmar	During 2018, HSSSI acquired 97% ownership of HSEAM, an entity providing consultancy and support services including underwater, marine and maritime related business. Its registered address, which is also its principal place of business, is at No. Level 8 A, Union Financial Center, Corner of Mahabandoola and Thein Phyu Road, Botahtaung Township, Yangon.
Harbor Star East Asia (Thailand) Co., Ltd. (HSEAT)	Subsidiary	29%	29%	Thailand	HSEAT was incorporated and registered in Thailand on September 20, 2019, primarily engage in providing transportation and warehousing in Thailand. Its registered address is 589/2 Central City Tower 1, 17th floor, Debaratana Road, Bangnaneua Sub-district, Bangna District, Bangkok. On November 11, 2021, HSEAT has completed the registration of its liquidation.
Harbor Star Construction Corporation (HSCC)	Subsidiary	100%	-	Philippines	HSCC was incorporated on April 23, 2021 and registered in the Philippines primarily to engage in the business of general building construction and other allied business including the constructing, developing, repairing, altering, enlarging, removing, restoring, designing, or otherwise engaging in any construction jobs of all description or works. Its registered address, which is also its principal place of business is located at 2224 A. Bonifacio cor Pres. Osmena Bangkal Makati, Metro Manila.
Hi-Energy Marine Services, Inc. (HEMSI)	Associate	31%	31%	Philippines	During 2018, HSSSI acquired 31% ownership of HEMSI, an entity engaged in towage, mooring, maritime commerce and navigation. Its registered address, which is also its principal place of business, is at Rm. 306, Velco Center cor. Senior Oca and Delgado Sts., South Port Area, Manila.
Great Eastern Tug Corporation (GETC)	Associate	20%	20%	Philippines	GETC was incorporated and registered with the Philippine SEC on September 9, 2002, primarily to own, charter in/out, operate and manage tugboats or domestic services. Its registered address, which is also its principal place of business, is located at 11F Marc 2000 Tower, 1973 Taft Avenue, Malate, Manila.

HSEAT, although assessed as having controlling interest is not included in consolidation since it is not a material component to the Group as at December 31, 2021 and 2020.

Critical accounting judgments

(a) Determining control over investments with ownership of less than half of the entity's total equity

The Parent Company follows the guidance of Philippine Financial Reporting Standards (PFRS) 10 "Consolidated Financial Statements" in determining if control exists for investments with ownership of less than half of its total equity. In making this judgment, the Parent Company considers the power over more than half of the voting rights by virtue of an agreement with other investors, power to govern the financial and operating policies of the entity under a statute or an agreement, power to appoint or remove the majority of the members of the Board of Directors (BOD), or power to cast the majority of votes at meetings of the BOD.

Having a significant influence based on the percentage ownership, the Parent Company initially considered Peak Flag as associate. However, effective January 1, 2014, the Parent Company has gained control over the key economic decisions and policies affecting Peak Flag under the duly signed amended shareholders' agreement including majority board representation. Consequently, based on management's judgment and continuous assessment of the Parent Company, Peak Flag is considered a subsidiary as at December 31, 2021 and 2020.

Assessment of control over subscribed shares of HSEAT is disclosed in Note 1.2.

(b) Non-controlling interest

Set out below are the summarized financial information of Peak Flag, a subsidiary, that has non-controlling interests to the Group. The amounts disclosed are before intercompany eliminations.

	2021	2020
Total current assets	256,726,874	178,915,406
Total non-current assets	111,618,485	125,958,745
Total current liabilities	306,191,654	286,427,538
Total non-current liabilities	27,232,670	-
Equity	34,921,035	18,446,613
Total revenue	97,921,562	119,625,723
Total expenses	(82,254,181)	(93,627,370)
Total income for the year	15,667,381	25,998,353
Total comprehensive income for the year	15,667,381	25,998,353
Net cash used in operating activities	40,217,499	61,310,961
Net cash provided by financing activities	34,355,467	5,321,253

1.4 Approval of the consolidated financial statements

The consolidated financial statements of the Group were approved and authorized for issue by the Parent Company's BOD on May 13, 2022. There were no events during the intervening period between BOD approval and audit report date that will impact the consolidated financial statements.

Note 2 - Cash and cash equivalents

Cash and cash equivalents as at December 31 consist of:

	2021	2020
Cash on hand	2,077,635	2,010,357
Cash in banks	134,147,389	263,745,222
Cash equivalents	127,738,481	6,726,775
	263,963,505	272,482,354

Interest income earned from cash in banks and cash equivalents for the year ended December 31, 2021 amounted to P108,971 (2020 - P404,660; 2019 - P886,384) (Note 19).

The carrying values of cash and cash equivalents represent maximum exposure to credit risk other than cash on hand. While cash and cash equivalents are also subject to the impairment of PFRS 9, the identified impairment loss was immaterial.

Note 3 - Trade and other receivables, net

Trade and other receivables, net as at December 31 consist of:

	2021	2020
Trade receivables	1,065,929,590	724,407,286
Allowance for impairment of trade receivables	(259,514,939)	(169,265,262)
	806,414,651	555,142,024
Advances to officers, employees and others	174,587,028	208,471,960
Allowance for impairment of advances to employees and others	(26,517,886)	(23,625,837)
	148,069,142	184,846,123
Others	4,054,334	2,973,998
	958,538,127	742,962,145

Trade receivables are amounts due from customers for rendering harbor assistance and other marine services and solar energy fee in the ordinary course of the business with an average credit term of 30 to 60 days.

Advances to employees represent outstanding balances with existing employees and regular collections are made through liquidation and salary deduction.

As at December 31, 2021, advances to officers representing key management personnel amounted to P31,854,445 (2020 - P77,925,701) (Note 21).

The carrying value of trade and other receivables as at December 31, 2021 and 2020 approximates its fair value as at reporting date.

Allowance for impairment

The Group applies PFRS 9 simplified approach in measuring expected credit losses (ECL) which uses a lifetime expected loss allowance for all trade receivables.

To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of service fees over a period of 36 to 60 months before January 1, 2021 and 2020 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 to settle the receivables. The Group has identified the inflation rate in the Philippines to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes in such rates.

Movements in the provision for impairment of trade and other receivables for the years ended December 31 are as follows:

	Note	2021	2020
Beginning of year		192,891,099	104,693,250
Provision for impairment of trade and other receivables		99,389,922	98,417,856
Recovery		(6,500,000)	-
Write-off		-	(10,036,539)
Cumulative translation adjustment	27.23	251,804	(183,468)
End of year		286,032,825	192,891,099

For the year ended December 31, 2021, a net provision for impairment of trade and other receivables amounting to P99,389,922 (2020 - P98,417,856; 2019 - P76,728,154) (Note 17) was charged to net impairment losses on financial assets in the statements of total comprehensive income, as a result of management's assessment of collectability. Of this amount, a provision from impairment of advances to inactive employees amounted to P2,892,049 in 2021 (2020 - P2,397,884; 2019 - P34,156,541).

In 2020, the Group wrote off previous provided uncollectible advances to officers, employees and others amounting to P10,036,539. There were no write-offs made in 2021 and 2019.

In 2020, the Group has directly written off trade receivables amounting to P6,825,051 (2019 - P5,534,061). There was no direct write-offs made in 2021.

The Group has recognized a recovery of previously provided impaired trade receivables amounting to P6,500,000 in 2021 (2020 and 2019 - nil).

Critical accounting estimates and assumptions

Recoverability of trade and other receivables

The allowance for impairment related to the Group's trade and other receivables is based on assumptions about risk of default and expected loss rates. The Group uses estimates in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed above.

Judgments related to provision for impairment of receivables are continually evaluated based on historical experiences and other factors, including expectations of future events that may have a financial impact on the Group and that are believed to be reasonable under the circumstances.

Note 4 - Prepayments and other current assets

Prepayments and other current assets as at December 31 consist of:

	Notes	2021	2020
Construction advances		149,233,639	221,340,500
Allowance for construction advances		(24,521,086)	(24,521,086)
Construction advances, net		124,712,553	196,819,414
Input value-added tax (VAT)		28,006,985	2,414,680
Allowance for impairment of input VAT	17	(376,239)	-
Input VAT, net	10	27,630,746	2,414,680
Prepayments		108,758,683	53,781,704
Advances to suppliers		40,863,926	41,169,286
Refundable deposits	22	3,959,971	3,902,556
Others		495,720	-
		306,421,599	298,087,640

Construction advances pertain to advances to suppliers, contractors and employees related to construction projects subject to liquidation.

Prepayments consist of mainly unexpired hull and machinery insurance, motor car insurance, life and health insurance, prepaid rent and fuel which are expected to be utilized for a period of less than a year.

Advances to suppliers consist of advance payments on services to be performed within 12 months.

Movements in the provision for impairment of construction advances for the years ended December 31 are as follows:

	Note	2021	2020
Beginning of year		24,521,086	2,940,464
Provision for loss on construction advances	19	-	21,580,622
End of year		24,521,086	24,521,086

Allowance for construction advances pertain to impaired portion of uncompleted projects charged to other expenses (Note 19).

For the year ended December 31, 2021, the Group provided for impairment of current portion of input VAT amounting to P376,239 (2020 and 2019 - nil) (Note 17), which was charged to general and administrative expenses in the statement of total comprehensive income, as a result of management's assessment of recoverability.

Note 5 - Investments in associates

Investments in associates as at December 31 consist of:

	2021	2020
GETC	15,950,725	15,242,514
HEMSI	191,326,821	182,788,018
	207,277,546	198,030,532

The movement of investments in associates for the years ended December 31 are as follows:

	2021	2020	2019
Beginning of year	198,030,532	116,498,458	100,863,553
Share in net profit*	20,278,057	82,309,037	15,916,905
Share in other comprehensive loss	-	-	(282,000)
Dividends	(11,031,043)	(776,963)	-
End of year	207,277,546	198,030,532	116,498,458

**Share in net profit include share in prior year adjustment to equity*

(a) GETC

The movements of investment in GETC for the years ended December 31 are as follows:

	2021	2020	2019
Beginning of year	15,242,514	14,965,723	14,498,937
Share in net profit*	708,211	276,791	748,786
Share in other comprehensive loss	-	-	(282,000)
End of year	15,950,725	15,242,514	14,965,723

**Share in net profit include share in prior year adjustment to equity*

Set out below is the summarized financial information of GETC as at December 31:

	2021	2020	2019
Total current assets	11,217,254	34,508,667	25,715,520
Total non-current assets	102,695,301	41,879,265	49,343,215
Total current liabilities	14,658,943	175,361	230,119
Total non-current liabilities	19,499,985	-	-
Net assets or equity	79,753,627	76,212,571	74,828,616
Total revenue	16,711,607	11,375,000	14,520,000
Total profit for the year	3,625,017	1,246,456	4,058,645
Total other comprehensive loss	-	-	(1,410,000)
Total comprehensive income	3,625,017	1,246,456	2,648,645

	2021	2020	2019
Net assets, January 1	76,212,571	74,828,616	72,494,683
Profit for the year	3,625,017	1,246,456	4,058,645
Other comprehensive loss	-	-	(1,410,000)
Adjustment to equity	(83,961)	137,499	(314,712)
Net assets, December 31	79,753,627	76,212,571	74,828,616
Group's share in %	20%	20%	20%
Group's share in net assets	15,950,725	15,242,514	14,965,723

The movements of investment in HEMSI for the years ended December 31 are as follows:

	2021	2020	2019
Beginning of year	182,788,018	101,532,735	86,364,616
Share in net profit*	19,569,846	82,032,246	15,168,119
Dividends received	(11,031,043)	(776,963)	-
End of year	191,326,821	182,788,018	101,532,735

**Share in net profit include share in prior year adjustment to equity*

On February 11, 2021 and November 27, 2021, the Group received dividend income from HEMSI amounting to P5,561,238 and P5,469,805, respectively, (2020 - P776,963).

Set out below is the summarized financial information of HEMSI as at December 31:

	2021	2020	2019
Total current assets	335,464,245	375,000,219	138,456,360
Total non-current assets	210,945,316	176,188,530	151,025,666
Total current liabilities	83,817,047	72,858,602	56,564,671
Total non-current liabilities	4,666,651	47,918,811	85,825,057
Net assets or equity	457,925,863	430,411,336	147,092,298
Total revenue	305,200,713	693,132,647	252,927,907
Total profit for the year	24,148,331	292,320,115	32,414,682
Total comprehensive income	24,148,331	292,320,115	32,414,682

	2021	2020	2019
Net assets, January 1	589,668,771	327,524,954	278,595,535
Profit for the year	24,148,331	292,350,115	32,414,682
Dividends declared	(35,584,010)	(2,506,332)	-
Adjustment to equity	38,950,204	(27,699,966)	16,514,737
Net assets, December 31	617,183,296	589,668,771	327,524,954
Group's share in %	31%	31%	31%
Group's share in net assets	191,326,821	182,797,319	101,532,735

The investment in the net assets of HEMSI in 2018 includes a goodwill amounting to P159,257,435.

Critical accounting judgment

Impairment of investments in associates

The Group's investments in associates is carried using equity method. The carrying value is reviewed and assessed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Changes in those management assessment and judgment could have a significant effect on the carrying value of investments in associates and the amount and timing of recorded provision for any period.

As at December 31, 2021 and 2020, based on management's assessment and judgment, there are no indications of impairment or changes in circumstances indicating that the carrying value of its investment in associates may not be recoverable.

Note 6 - Property and equipment at revalued amounts, net

Details of property and equipment carried at revalued amounts as at December 31 are as follows:

	Notes	2021	2020
As at January 1			
Revalued amount		3,655,926,803	3,683,096,274
Accumulated depreciation		(2,220,460,509)	(2,073,820,382)
Net carrying amount		1,435,466,294	1,609,275,892
Year ended December 31			
Opening net carrying amount		1,435,466,294	1,609,275,892
Additions		145,693,766	49,148,377
Revaluation increments		296,854,138	-
Disposal			
Cost		-	(76,106,973)
Accumulated depreciation		-	69,868,566
Reclassification	7	(6,555,656)	-
Depreciation	16	(208,584,173)	(216,719,568)
Closing net carrying amount		1,662,874,369	1,435,466,294
At December 31			
Revalued amount		4,091,919,051	3,655,926,803
Accumulated depreciation		(2,429,044,682)	(2,220,460,509)
Net carrying amount		1,662,874,369	1,435,466,294

The net book value of the tugboats, had the assets been carried at cost and not at revalued amount as at December 31 would have been as follows:

	Note	2021	2020
As at January 1			
Cost		2,621,536,215	2,648,494,812
Accumulated depreciation		(1,287,361,027)	(1,153,723,437)
Net carrying amount		1,334,175,188	1,494,771,375
Year ended December 31			
Opening net carrying amount		1,334,175,188	1,494,771,375
Additions		145,693,766	49,148,377
Cost		-	(76,106,973)
Accumulated depreciation		-	69,868,566
Reclassification	7	(6,555,656)	-
Depreciation		(192,763,477)	(203,506,157)
Closing net carrying amount		1,280,549,821	1,334,175,188
At December 31			
Cost		2,760,674,325	2,621,536,215
Accumulated depreciation		(1,480,124,504)	(1,287,361,027)
Net carrying amount		1,280,549,821	1,334,175,188

The movements of revaluation increment for the years ended December 31 are as follows:

	Note	2021	2020
Beginning of year		101,291,106	114,504,517
Revaluation increment of tugboats		296,854,138	-
Amortization of revaluation increment through depreciation		(15,820,696)	(13,213,411)
End of year, gross of tax		382,324,548	101,291,106
Tax rate		25%	30%
Deferred income tax liability	23	(95,581,137)	(30,387,332)
End of year, net of tax		286,743,411	70,903,774

Amortization of revaluation increment, net of tax in 2019 amounted to P18,520,384.

Certain tugboats with a net carrying value of P181,677,181 were valued at P478,531,319 by Value Metrics, Inc., an accredited independent appraiser, as at December 31, 2021. The revaluation increment of the tugboats amounted to P296,854,138 for the year ended December 31, 2021. The tugboats were revalued based on cost approach due to the specialized nature of the properties. The fair value hierarchy of these assets is Level 2. Certain tugboats were used as collateral to secure the loans obtained from various banks (Note 12). As at December 31, 2021, the Group's tugboats used as collaterals have a net carrying amount of P1,355,747,872 (2020 - P1,147,785,508).

In 2020, the Group sold a tugboat with a carrying value of P6,238,407 for a total consideration of P10,000,000 resulting in a gain amounting to P3,761,593 (Note 19). The total consideration was received in cash during the year. No tugboat was disposed of in 2021.

In 2021, the Group reclassified net carrying cost amounting to P6,555,656 to barges under property and equipment at cost (2020 - nil) (Note 7). This was considered a non-cash transaction in the statement of cash flows.

Critical accounting estimates

(a) Useful lives of property and equipment at revalued amounts

The Group's management determines the estimated useful lives for its property and equipment at revalued amounts based on the period over which the assets are expected to be available for use. The Parent Company annually reviews the estimated useful lives of property and equipment based on factors that include asset utilization, internal technical evaluation, technological changes, environmental and anticipated use of assets tempered by related industry benchmark information. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in factors mentioned.

An increase/decrease in the estimated useful life would impact the recorded net carrying amounts of property and equipment at revalued amounts with a corresponding increase/decrease in the profit for the year as a result of lower/higher depreciation expense charged through profit or loss.

(b) Revaluation of tugboats

The Group carries its tugboats at appraised value, with changes in fair value being recognized directly in equity under revaluation surplus. The Group reviews the fair value of its tugboats periodically every 3 to 5 years.

The Group considers that it is impracticable to disclose with sufficient reliability the possible effects of sensitivities surrounding the estimates on recent market transactions on arm's length terms at the end of each reporting period. However, it is reasonably possible, on the basis of existing knowledge, that changes in estimates would impact the recorded cost of services and property and equipment at a revalued amount.

The Group engaged an independent valuation specialist in determining the fair value of some of its tugboats as at December 31, 2021. Management deems that the revalued amounts of tugboats not subjected to the independent appraisal in 2021 still approximate the fair value as at reporting dates with a significant number of tugboats only recently acquired at substantially comparable prices. The Group is considering revaluing the remaining of its tugboats in 2022.

Note 7 - Property, plant and equipment at cost, net

Details of property, plant and equipment as at December 31 are as follows:

	Land	Barges	Building and building improvements	Transportation equipment	Diving and oil spill equipment	Furniture, fixtures and leasehold improvements	Construction equipment	Construction-in-progress	Total
At January 1, 2020									
Cost	39,556,011	694,596,314	2,015,627,820	65,580,316	325,408,883	6,191,337	12,260,099	18,144,120	3,177,364,900
Accumulated depreciation	-	(338,019,505)	(82,831,016)	(47,960,633)	(156,290,040)	(4,753,472)	(7,637,505)	-	(637,492,171)
Cumulative translation adjustments	-	-	-	-	(553,798)	(9,539)	-	-	(563,337)
Net carrying amount	39,556,011	356,576,809	1,932,796,804	17,619,683	168,565,045	1,428,326	4,622,594	18,144,120	2,539,309,392
Opening net carrying amount	39,556,011	356,576,809	1,932,796,804	17,619,683	168,565,045	1,428,326	4,622,594	18,144,120	2,539,309,392
Additions	-	3,716,516	350,375	5,092,905	12,091,797	331,251	4,230,541	-	25,813,385
Reversal	-	-	-		-	(6,165)	-	-	(6,165)
Disposal	-								
Cost	-	-	-	(1,616,864)	-	-	-	-	(1,616,864)
Accumulated depreciation	-	-	-	1,589,910	-	-	-	-	1,589,910
Depreciation	-	(87,678,215)	(96,569,155)	(7,008,532)	(33,731,435)	(837,621)	(2,540,571)	-	(228,365,529)
Translation adjustments	-	-	-	-	(5,046,245)	288,087	-	-	(4,758,158)
Closing net carrying amount	39,556,011	272,615,110	1,836,578,024	15,677,102	141,879,162	1,203,878	6,312,564	18,144,120	2,331,965,971
At December 31, 2020									
Cost	39,556,011	698,312,830	2,015,978,195	69,056,357	337,500,680	6,516,423	16,490,640	18,144,120	3,201,555,256
Accumulated depreciation	-	(425,697,720)	(179,400,171)	(53,379,255)	(190,021,475)	(5,591,093)	(10,178,076)	-	(864,267,790)
Cumulative translation adjustments	-	-	-	-	(5,600,043)	278,548	-	-	(5,321,495)
Net carrying amount	39,556,011	272,615,110	1,836,578,024	15,677,102	141,879,162	1,203,878	6,312,564	18,144,120	2,331,965,971
Year ended December 31, 2021									
Opening net carrying amount	39,556,011	272,615,110	1,836,578,024	15,677,102	141,879,162	1,203,878	6,312,564	18,144,120	2,331,965,971
Additions	-	100,482,908	-	1,409,294	20,880,576	357,114	166,773	-	123,296,665
Disposal									
Cost	-	(135,661,358)	-	(1,578,690)	-	-	-	-	(137,240,048)
Accumulated depreciation	-	120,097,852	-	1,459,509	-	-	-	-	121,557,361
Reclassification	-	6,555,656	-	-	-	-	(3,803,571)	-	2,752,085
Depreciation	-	(79,058,434)	(96,763,131)	(8,423,808)	(33,269,327)	(723,406)	(2,356,016)	-	(220,594,122)
Translation adjustments	-	-	-	-	2,720,246	5,230-	-	-	2,725,476
Closing net carrying amount	39,556,011	285,031,734	1,739,814,893	8,543,407	132,210,657	842,816	319,750	18,144,120	2,224,463,388
At December 31, 2021									
Cost	39,556,011	667,988,051	2,015,978,195	68,886,961	358,381,256	6,873,537	12,853,842	18,144,120	3,188,661,973
Accumulated depreciation	-	(382,956,317)	(276,163,302)	(60,343,554)	(223,290,812)	(6,314,499)	(12,534,092)	-	(961,602,576)
Cumulative translation adjustments	-	-	-	-	(2,879,787)	283,778	-	-	(2,596,009)
Net carrying amount	39,556,011	285,031,734	1,739,814,893	8,543,407	132,210,657	842,816	319,750	18,144,120	2,224,463,388

As at December 31, 2021, the Group's unpaid acquisition of tugboats and other marine vessel amounted to P34,804,717 and P15,800,679, respectively (2020 - P24,330,599 and P3,310,222), which is considered a non-cash activity (Note 6).

In 2019, the Group's pre-development cost from the ADGI acquisition amounting to P1.83 billion was reclassified to property, plant and equipment, upon start of ADGI's operations. Pre-development cost represents total expenditures incurred to date net of revenue from saleable material recognized during the pre-commercial production period, if any. Deduction is only appropriate if it can clearly be shown that the production of the saleable material is directly attributable to bringing the asset to the condition necessary for it to be capable of operating in the manner intended by management. As at December 31, 2021, building and building improvements include capitalized costs on solar power plant with a carrying value amounting to P1.69 million (2020 - P1.78 million).

In 2019, it was assessed based on internal evaluations that they will be able to utilize the solar power plant for up to 20 years. In 2020 during its first full year of operations, ADGI management has reassessed the useful life of solar power plant. Based on internal evaluations, they will be able to utilize the solar power plant between 10 and 30 years which is also aligned with industry practice. As such, the management has approved the change in estimated useful life of solar power plant from 20 years to between 10 and 30 years.

The change in estimated useful life is considered to be a change in accounting estimate accounted for prospectively by recognizing the effect of the change in the period change and future periods until the end of the useful life. The net effect of the change in useful life is a decrease in depreciation expense amounting to P3.1 million annually starting 2020.

As at December 31, 2021, the Group's unpaid acquisitions of property, plant and equipment amounted to P22,391,363 (2020 - P27,640,821).

Depreciation for the years ended December 31 charged to profit or loss consists of:

	Notes	2021	2020	2019
Cost of services	16	176,030,302	204,530,997	176,013,876
General and administrative expenses	17	20,330,020	19,050,321	20,475,024
Other income (loss), net	19	24,233,800	4,784,211	320,892
		220,594,122	228,365,529	196,809,792

In July 2019, ADGI started its commercial operations and recognized depreciation expense of P43.85 million in relation to the solar power plant capitalized. In 2021 and 2020, total depreciation amounted to P88.60 million each year.

In 2020, the ADGI reversed furniture and fixtures acquired in 2019 and its corresponding accounts payable amounting to P6,165 upon return of the furniture to the supplier.

Construction-in-progress as at December 31, 2021 and 2020 mainly comprise of additional office space being prepared for its intended use.

The net carrying value of transportation equipment and barges used as collateral to secure loans from various banks (Note 12) amounted to P6.9 million and P207.6 million, respectively as at December 31, 2021 (2020 - P8.4 million and P271.0 million).

In 2021, the Group sold a barge and transportation equipment with a net carrying value of P15,682,687 (2020 - P26,955) for a total consideration of P10,578,000 (2020 - P1,037,179) resulting in a total loss on disposal amounting to P5,104,687 (2020 - P1,010,224) (Note 19). The total consideration was received in cash in 2021 and 2020.

In 2021, the Group also reclassified the cost of construction equipment under lease amounting to P3,803,571 to right-of-use asset (Note 22) (2020 - nil). This was considered a non-cash transaction in the statement of cash flows.

Critical accounting estimates

Useful lives of property, plant and equipment at cost

The Group's management determines the estimated useful lives for its property, plant and equipment at cost based on the period over which the assets are expected to be available for use. The Group annually reviews the estimated useful lives of property, plant and equipment based on factors that include asset utilization, internal technical evaluation, technological changes, environmental and anticipated use of assets tempered by related industry benchmark information. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in factors mentioned.

An increase/decrease in the estimated useful life would impact the recorded net carrying amounts of property, plant and equipment at cost with a corresponding increase/decrease in the profit for the year as a result of lower/higher depreciation expense charged to profit or loss.

Critical accounting judgment

(a) Impairment of property, plant and equipment

The Group's property, plant and equipment, except for tugboats, is carried at cost. The carrying value is reviewed and assessed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Changes in those assessment and judgment could have a significant effect on the carrying value of property, plant and equipment and the amount and timing of recorded provision for any period.

As at December 31, 2021 and 2020, based on management's assessment and judgment, there are no indications of impairment or changes in circumstances indicating that the carrying value of their property, plant and equipment may not be recoverable.

(b) Decommissioning cost

As at reporting date, ADGI is still discussing with lessor and confirming its contractual obligation to dismantle facilities upon termination of its lease agreement. Hence, management has assessed any obligation to be less likely as at reporting date.

Note 8 - Computer software, net

The details of computer software, net as at December 31:

Year ended December 31, 2020	
Opening net carrying amount	27,859,777
Additions	2,513,325
Amortization (Note 17)	(6,797,074)
Closing net carrying amount	23,576,028
At December 31, 2020	
Cost	33,597,177
Accumulated amortization	(10,021,149)
Net carrying value	23,576,028
Year ended December 31, 2021	
Opening net carrying amount	23,576,028
Additions	3,100,809
Amortization (Note 17)	(7,259,577)
Closing net carrying amount	19,417,260
At December 31, 2021	
Cost	36,697,986
Accumulated amortization	(17,280,726)
Net carrying value	19,417,260

Management assessed that there are no indicators that computer software is impaired as at December 31, 2021 and 2020.

Note 9 - Investment properties

As at December 31, the Group's investment properties consist of parcels of land in various locations, which are held for capital appreciation.

The movement in investment properties for the years ended December 31 are as follows:

	2021	2020
Beginning of year	48,540,371	47,626,987
Additions	3,653,534	913,384
End of year	52,193,905	48,540,371

The estimated fair value of the investment properties as at December 31, 2021 and 2020 amounted to P434.5 million and P321.9 million, respectively, based on the recent selling price per square meter and land reclassification to industrial in 2017.

Direct operating expenses amounting to P1.9 million (2020 - P2.0 million), pertaining to the payment for revocable permit application and professional fee of Lemery property, were incurred for the year ended December 31, 2021. There was no income earned related to the investment properties for the years ended December 31, 2021 and 2020.

Critical accounting judgment

The carrying value of the Group's investment properties is reviewed and assessed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Changes in those assessment and judgment could have a significant effect on the carrying value of investment properties and the amount and timing of recorded provision for any period.

As at December 31, 2021 and 2020, based on management's assessment and judgment, there are no indications of impairment or changes in circumstances indicating that the carrying value of its investment properties may not be recoverable.

Note 10 - Other non-current assets, net

Other non-current assets as at December 31 consist of:

	Note	2021	2020
Input VAT, net of output VAT		311,908,667	315,165,251
Allowance for impairment of input VAT		(67,891,945)	(59,984,802)
Input VAT, net		244,016,722	255,180,449
Leasehold rights, net		37,022,304	38,643,773
Financial asset at fair value through other comprehensive income (FVOCI)		1,816,198	810,000
Lease guarantee deposit	22	55,000	55,000
Refundable deposits		50,398	50,398
Performance bond		13	2,112,522
		282,960,635	296,852,142

Performance bond is a security required by the contracting party to ensure completion of performance of obligation in the event that the performing party cannot fulfill its obligations, as set forth in the circular no DOE DC 2009-07-0011 Sec 16 Obligations of a Developer.

The movement in allowance for impairment of input VAT for the years ended December 31 follows:

	Note	2021	2020
Beginning of year		59,984,802	50,926,358
Provision for impairment	17	7,907,143	9,058,444
End of year		67,891,945	59,984,802

The Group's leasehold rights pertain to the following:

(a) The Parent Company has existing leasehold rights for a piece of land in San Vicente, Palawan for 25 years.

The movements in leasehold rights for the years ended December 31 are as follows:

	Note	2021	2020
Cost			
As at January 1 and December 31		20,598,235	20,598,235
Accumulated amortization			
As at January 1		(1,539,858)	(769,929)
Amortization	17	(769,929)	(769,929)
As at December 31		(2,309,787)	(1,539,858)
Net book value		18,288,448	19,058,377

(b) ADF1 and ADF2 have existing rights over a property in General Santos City for 25 years.

The movements in leasehold rights for the years ended December 31 are as follows:

	Note	2021	2020
Cost			
As at January 1 and December 31		21,288,472	21,288,472
Accumulated amortization			
As at January 1		(1,703,076)	(851,538)
Amortization	17	(851,538)	(851,538)
As at December 31		(2,554,614)	(1,703,076)
Net book value		18,733,858	19,585,396

Critical accounting judgment

Allowance for impairment of input VAT is maintained at a level considered adequate to provide for potentially unrecoverable tax claims from excess input VAT. An evaluation of the recoverability of the excess input VAT, designed to identify potential charges to the provision, is performed on a continuous basis throughout the period. Management uses judgment based on the best available facts and circumstances, including but not limited to the evaluation of its future utilization based on long-term forecasts, in determining provision for impairment of input VAT. A change in the provision would impact the Group's recorded carrying value of input VAT and provision for impairment.

Further, based on management assessment, out of the total carrying amount of input VAT as at December 31, 2021, P27,630,746, presented under "Prepayments and other current assets" in the statement of financial position (2020 - P2,414,680) (Note 4), will be recovered in the next twelve (12) months after reporting date. The remaining balance amounting to P244,016,722 presented under "Other non-current assets" will be recoverable beyond twelve (12) months after the reporting date (2020 - P255,180,449).

Management believes that the net carrying amount of input VAT is recoverable based on the long-term business plans of the Group.

Note 11 - Trade and other payables

Trade and other payables as at December 31 consist of:

	Note	2021	2020
Current			
Trade payables		333,362,461	255,834,692
Accrued expenses			
Interest	12	117,218,301	105,249,113
Construction costs		34,606,805	31,441,671
Tug assistance		39,726,705	29,898,476
Fuel		27,499,961	11,980,482
Marketing		8,119,863	7,826,685
Others		25,504,151	2,870,069
Provisions		15,765,084	3,670,726
Advances from officers and employees		12,624,281	11,755,963
Unearned income		10,957,608	7,188,709
Payable to government agencies		5,125,573	5,661,705
Others		8,270,723	1,539,752
		638,781,516	474,918,043
Non-current			
Trade payable		15,248,351	11,732,037

Trade payables are generally non-interest-bearing and are settled in thirty (30) to ninety (90) days' term.

In 2019, the Group entered into a purchase agreement with a foreign supplier for the purchase of tugboat to be settled in twenty-four (24) monthly installment payments bearing an interest rate of 2.87%. In 2020, the terms of purchase agreement were modified by extending the monthly installments to thirty-six (36) months bearing an interest rate of 5.30%.

In 2021, the Group entered into another purchase agreement with a foreign supplier for the purchase of tugboat with an upfront payment of 50% and the remaining balance to be settled in 36 monthly installment payment bearing an interest rate of 5.25% per annum.

For the year-ended December 31, 2021, total interest expense charged to total comprehensive income amounted to P1,088,448 (2020 - P2,875,255; 2019 - P641,813).

Accrued expenses are obligations on the basis of normal credit terms and do not bear interest. These pertain to accruals made for professional fees, and delivered goods and services not yet billed by suppliers as of reporting period. Accruals are made based on prior month's billings and/or contracts and are normally settled within twelve (12) months from the reporting period. Other accrued expenses are mainly composed of outstanding payable to insurance companies and unliquidated business expenses which are expected to be settled in the subsequent year.

Accrued construction costs pertain to unliquidated expenses of employees in relation to the construction projects of the Group.

The Group has outstanding advances from officers amounting to P2,384,576 in 2021 (2020 - P1,516,258) (Note 21), which is part of advances from officers and employees.

Unearned income pertains to advance collection from customers. Unearned income amounting to P7,188,709 and P16,940,552 as at January 1, 2021 and 2020, was recognized as service income in 2021 and 2020, respectively.

Provisions pertain to estimated assessments from regulatory agencies.

Movement in provisions for the years ended December 31 are as follows:

	Note	2021	2020
January 1		3,670,726	37,945,509
Provisions	17	12,094,358	601,902
Utilization		-	(34,876,685)
December 31		15,765,084	3,670,726

Note 12 - Short-term loans and borrowings

Details of short-term loans and borrowings as at December 31 are as follows:

	2021	2020
Current		
Short-term loans	522,271,500	498,000,000
Current portion of long-term borrowings	259,267,337	2,292,303,962
Non-current		
Non-current portion of loans payable	-	69,289
Long-term borrowings	3,311,898,604	1,300,387,582
	4,093,437,441	4,090,760,833

Movements of long-term borrowings during the year are as follows:

	2021	2020
Beginning balance	3,592,760,833	3,753,428,334
Cash transactions		
Proceeds	50,737,392	185,222,121
Payments	(202,284,940)	(354,684,359)
Non-cash transactions		
Capitalization of interest into term loan	90,202,784	-
Loss on debt restructuring, net (Note 19)	45,047,143	-
Reversal of loan repayment	-	8,794,737
Amortization of premium or discount on debt restructuring	(5,032,601)	-
Total	3,571,430,611	3,592,760,833
Unrealized foreign exchange loss	(264,670)	-
Ending balance	3,571,165,941	3,592,760,833

The fair value of long-term borrowings approximates its carrying values as at December 31, 2021 and 2020.

Parent Company

On September 13, 2021, the Parent Company entered into a loan agreement with one of its director and shareholder, for a principal of JPY 55,000,000 or P24,271,500 for use as downpayment for the purchase of a tugboat. The loan bears an interest rate of 8.50% per annum and is payable quarterly starting December 13, 2021. The principal amount of the loan is payable on June 13, 2022.

On October 4, 2021, the Parent Company availed of a short-term borrowing from a local financing company amounting to P70,000,000 with 12% interest per annum. The amount borrowed was paid and settled in December 2021.

As at December 31, 2021, the Parent Company's unsecured short-term loans from local banks and from shareholder which bear interest rates ranging from 5.25% to 8.50% (2020 - 4.80% to 6.70%) and have maturity of one (1) to six (6) months from reporting date.

As at December 31, 2021, the Parent Company's long term borrowings bear annual interest rate ranging from 4.87% to 9.23% (2020 - 4.50% to 13.65%) are payable in various installments maturing on various dates from 2023 to 2030. These are secured by chattel mortgages to certain Parent Company-owned tugboats (Note 6), transportation equipment and barges (Note 7).

In 2020, the long-term borrowings agreements require compliance by the Parent Company to various covenants including, among others, the maintenance of financial ratios. As at December 31, 2020, the Parent Company was in the process of securing waivers for non-compliance with debt covenants. Hence, certain long-term borrowings amounting to P112,500,000 were presented as current liabilities in 2020. In 2021, the Parent Company is compliant with all its debt covenants in 2021. Consequently, borrowings were reclassified as non-current in 2021.

Both short-term loans and long term borrowings were obtained specifically for working capital purposes and to finance capital expenditures that are non-qualifying assets.

Total interest expense from borrowings charged to profit or loss for the year ended December 31, 2021 amounted to P163,616,488 (2020 - P175,669,164; 2019 - P192,288,461). There are no qualifying asses as at December 31, 2021 and 2020, hence, no borrowing cost are capitalized.

Due to the impact of the COVID-19 pandemic and community quarantine, the Parent Company has entered into loan restructuring agreement with Rizal Commercial Banking Corporation (RCBC) and Asia United Bank (AUB) in 2020 and with Chinatrust Philippines Commercial Bank Corporation (CTBC) in 2021.

On October 16, 2020, the Parent Company availed of the Credit Assistance and Recovery (CARE) Program of RCBC. The Parent Company entered into a loan conversion agreement whereby its outstanding promissory notes amounting to P1.14 billion and term loan amounted to P146.3 million with a maturity date ranging from October 2019 to November 2020 and from March to July 2019, respectively, was converted into 57 monthly term loan of P1.291 billion with the principal amount payable in 48 monthly installments of P11.125 million starting July 15, 2021 and a balloon payment of P757 million on the 57th month on July 14, 2025. Under the loan conversion agreement, compliance with debt covenants will be effective starting 2021 upon the start of repayment. Gain on loan restructuring was not recognized as it is deemed immaterial.

On July 13, 2020, the Parent Company received the Notice of Approval of Amendments to its outstanding borrowings with AUB amounting to P142.1 million. The amendments to the borrowings include the extension of nine (9) months from original maturity date of September 27, 2022, principal amount to be repaid in 11 quarterly amortizations commencing nine (9) months from December 23, 2020 and a revised fixed interest rate of 7.5% per annum from 6.25%.

On October 7, 2021, the Parent Company entered into a loan restructuring agreement with CTBC whereby outstanding promissory notes were consolidated into one (1) promissory note with the principal amount of P477.3 million. The interest rate previously ranging from 4.88% to 7.00% was revised to three (3) month BVAL plus 3.5% per annum or a minimum of 5.25% per annum subject to quarterly repricing. The principal amount of the long term borrowing amounting to P477.3 million is to be settled in 20 quarterly payment starting January 2022 with a final balloon payment amounting to 45.53% of the principal to be settled in December 2026. A gain on debt restructuring amounting to P3,928,685 was recognized in 2021. This is considered a non-cash transaction in the statement of cash flow.

ADGI

On January 19, 2018, ADGI secured an Omnibus Loan Agreement with Development Bank of the Philippines (DBP) for a principal amount of P1.59 billion available in the form of advance term loan or Import Letter of Credit payable in 12 years, inclusive of a one (1) year and six (6) months-grace period, with the principal payable in 42 quarterly amortizations with 35% balloon payment due at maturity to commence at the end of seventh (7th) quarter from date of initial drawdown until fully paid. The loan is covered by various securities which include among others 100% ownership shares pledged, continuing deed of assignment of receivables from customers, continuing deed of assignment of rights arising from engineering, procurement and construction contracts with the DOE. The purpose of the borrowing is to finance the construction of the 26.88-megawatt solar power plant in General Santos City.

On February 12, 2020, ADGI entered into an Amendment to the Omnibus Loan Agreement with DBP and agreed on a change in repayment terms. ADGI shall repay the loan in 12 years, inclusive of two (2) years grace period, the principal payable in 40 quarterly amortizations with thirty-five percent (35%) balloon payment due at maturity to commence at the end of the ninth (9th) quarter from the date of initial drawdown until fully paid. All principal payment affected shall be re-amortized.

Due to the impact of the COVID-19 pandemic and community quarantine, ADGI has subsequently entered into a loan restructuring agreement with Development Bank of the Philippines in 2021.

In 2019, ADGI has paid a principal amount of the loan amounting to P8,794,736. In 2020, DBP has reversed the payment of principal and applied it as payment of outstanding interest. This is considered a non-cash activity.

The long-term borrowing agreement requires compliance by the Parent Company to certain various covenants including, among others, the maintenance of financial ratios after a year of commercial operations. The Parent Company shall maintain at all times a debt-to-equity ratio (DER) of not exceeding 2:1 and current ratio and debt service coverage ratio of less than one (1) as defined in the Term Loan Facility Agreement. As at December 31, 2019, the debt covenants are not yet applicable as commercial operations only started in July 2019. As at December 31, 2020, the Parent Company has substantially complied with most of the covenants except for financial ratios hence the entire balance of loan is reclassified as current in 2020.

On April 16, 2021, ADGI has entered into a loan restructuring agreement with DBP whereby its outstanding term loan with a principal amount of P1,584,900,000 payable in 40 quarterly amortization starting in July 2020 with thirty-five percent (35%) balloon payment due in April 2030, was extended with an additional two (2) year grace period payable in 43 quarterly amortization to commence on October 19, 2022, with a final maturity on April 19, 2033. Interest on the restructured loan is at a fixed rate for five (5) years based on the lender's prevailing rate at effective date renewable at the end of every five (5) years based on the then prevailing rate. In addition, the interest and other charges related to the term loan amounting to P90.20 million as at January 19, 2021 was capitalized and restructured into a five (5) year term loan with a fixed interest rate based on the lender's prevailing rate at effective date, payable quarterly to commence on October 19, 2022, with a final maturity on October 19, 2025. Under the loan restructured agreement, debt covenants exclude compliance with financial ratios. ADGI is compliant with all its debt covenants as at December 31, 2021. In 2021, a loss on debt restructuring amounting to P48,975,828 was recognized in 2021. This is considered a non-cash transaction in the statement of cash flows.

Total interest expense net of the amortization on loss on restructuring from borrowings charged to profit or loss amounted to P100,500,373 (2020 - P90,446,446; 2019 - P40,946,577).

HSSC

On April 23, 2019, the Company entered into a three (3) year loan agreement with a local bank for a principal amount of P741,071, to finance the purchase of a vehicle. The amount was drawn with a fixed interest rate of 9.22% per annum. The principal and interest amount are payable in thirty-six (36) monthly amortization commencing April 23, 2019 until maturity of the loan. The vehicle was pledged as collateral for the loan.

Total interest expense from loans payable charged to profit or loss amounted to P19,663 (2020 - P42,695; 2019 - P40,209).

Peak Flag

On April 15, 2021, Peak Flag entered into a three (3) year loan agreement with a local financial institution for a principal amount of P48,645,600 or MYR 4,000,000 for working capital purposes. The amount was drawn with a fixed interest rate of 8.25% per annum. The principal and interest amount are payable in thirty-six (36) monthly amortization commencing May 15, 2021 until maturity of the loan. A tugboat was pledged as collateral for the loan.

Total interest expense from borrowings charged to profit or loss for the year ended December 31, 2021 amounted to P2,799,382 (2020 and 2019 - nil).

The fair value of long-term borrowings approximates its carrying values as at December 31, 2021 and 2020.

Net debt reconciliation

Detailed analysis of net debt and the movements in net debt for the years ended December 31 are presented below:

	Notes	2021	2020
Cash and cash equivalents	2	263,963,505	272,482,354
Short-term loans		(522,271,500)	(498,000,000)
Borrowings, current portion		(259,267,337)	(2,292,303,962)
Borrowings, net of current portion		(3,311,898,604)	(1,300,387,582)
Non-current portion of loans payable		-	(69,289)
Interest payable	11	(117,218,301)	(105,249,113)
Unrealized foreign currency exchange loss		(264,670)	-
Lease liability, current portion	22	(6,771,855)	(5,044,918)
Lease liability, net of current portion	22	(31,831,492)	(35,587,910)
Net debt		(3,985,560,254)	(3,964,160,420)

Net unrealized foreign exchange loss for the year ended December 31, 2021 amounted to P264,670 (2020 - nil; 2019 - P28,546). Total borrowings denominated in foreign currency as at December 31, 2021 amounted to P68,122,638 (2020 - nil; 2019 - P797,328).

Note 13 - Share capital and additional paid-in capital

As at December 31, 2021 and 2020, the Parent Company's authorized share capital amounting to P2 billion is composed of 2 billion shares with par value of P1 per share.

Movements and details of share capital as at December 31 are as follows:

	Number of common shares issued and outstanding	Amount		
		Share capital	Share premium	Treasury shares
At December 31, 2021 and 2020	894,586,870	907,857,870	121,632,762	(37,614,990)

As discussed in (Note 1.1), on October 29, 2012, the Parent Company submitted its Registration Statement to the Philippine SEC. On October 30, 2013, the IPO of the Parent Company's shares were issued with an issue/offer price of P1.88 per share. Total shares registered and subscribed was 181.6 million shares resulting in share capital of P181.6 million and additional paid-in capital of P121.6 million net of transaction costs amounting to P24.6 million. There are no other share offering after the IPO in 2013.

On March 6, 2017, the BOD and shareholders approved to amend the Parent Company's articles of incorporation to increase its authorized capital stock from P1.5 billion to P2 billion shares (Note 1.2).

Treasury shares

On September 24, 2018, the Parent Company's BOD approved the share buyback program which was implemented in various dates in 2018 and 2019. The Parent Company acquired a total of 13,271,000 treasury shares for a total amount of P37,614,990.

No shares were repurchased for the years ended December 31, 2021 and 2020.

Note 14 - Loss per share

Basic earnings per share is calculated by dividing the net income attributable to shareholders of the Parent Company by the weighted average number of ordinary shares in issue during the period, excluding ordinary shares purchased by the Parent Company and held as treasury stocks, if any.

Total issued ordinary shares for the period has been adjusted for impact of stock split and stock dividends, if any.

Loss per share for the years ended December 31 is calculated as follows:

	2021	2020	2019
Net loss attributable to Parent Company	(166,628,380)	(99,229,074)	(370,200,311)
Weighted average number of common shares - basic and diluted	894,586,870	894,586,870	896,489,166
Basic and diluted loss per share	(0.19)	(0.11)	(0.41)

The basic and diluted earnings per share are the same each for the year presented as there are no potential dilutive common shares.

Note 15 - Service income, net

The components of service income, net for the years ended December 31 are:

	2021	2020	2019
Over time			
Harbor assistance, net of discounts	1,109,333,110	1,030,564,608	1,054,400,631
Salvage income	260,371,206	109,038,887	31,855,709
Lighterage services	110,736,686	110,097,148	103,338,093
Construction revenue	70,309,281	24,832,096	-
Towing services	24,306,924	17,719,208	36,927,505
Others	32,641,001	84,890,984	62,389,873
	1,607,698,208	1,377,142,931	1,288,911,811
At a point in time			
Revenue on generation of solar power	301,641,340	305,407,480	107,142,840
	1,909,339,548	1,682,550,411	1,396,054,651

Harbor assistance pertains to services rendered in assisting ships and other watercrafts in docking and undocking at the port. The amount of income recognized for the year ended December 31, 2021 is net of discounts amounting to P84 million (2020 - P111.0 million; 2019 - P123.0 million).

The Group has a claim amounting to $8 million USD for the completed salvage of MV Diamond Highway in June 2019 which has been endorsed for arbitration proceedings. Accordingly, the Group recognized salvage income amounting to P29.4 million which represents the collectible portion as at reporting date based on preliminary discussions with counterparties. The hearing in September 2020 will determine final claimable amount from the vessel and cargo owners. Due to the impact of COVID-19 in 2020, the hearing was postponed to 2021. On November 19, 2021, the Group entered into a settlement agreement with the vessel owners and was able to collect a total amount of Php 39.4 million or $0.8 million on December 6, 2021. In 2021, the Group recognized an additional salvage income amounting to P10.0 million.

Others consist of income generated from diving and other underwater services, among others. The Group revenue are divided into two business segments - harbor assistance and renewable energy (Note 27.29).

Note 16 - Cost of services

The components of cost of services for the years ended December 31 are:

	Notes	2021	2020	2019
Depreciation and amortization	6,7	384,614,475	421,250,565	394,759,129
Fuel and lubricants		256,782,772	208,176,367	211,362,481
Personnel costs	18	249,311,527	225,404,453	214,258,577
Outside services		130,285,406	55,572,443	40,419,797
Supplies and construction supplies		82,545,490	71,409,085	24,210,201
Rent	22	75,825,953	43,674,364	24,739,717
Insurance		50,655,691	59,382,629	53,390,235
Charter hire		29,769,774	32,789,449	32,567,761
Port expense		21,764,867	21,426,970	20,509,006
Repairs and maintenance		17,525,629	22,355,706	15,984,637
Professional fees		8,862,291	6,098,960	4,121,782
Transportation and travel		5,912,350	7,582,987	8,161,788
Amortization right-of-use asset	22	4,891,336	17,504,480	17,504,480
Communications, light and water		2,358,348	3,498,150	4,395,658
Taxes and licenses		1,693,258	947,495	2,814,464
Others		43,390,497	31,680,214	42,221,732
		1,366,189,664	1,228,754,317	1,111,421,445

Others mainly consisted of expenses such as survey and valuation fees, commission and utilities expenses.

Note 17 - General and administrative expenses

The components of general and administrative expenses for the years ended December 31 are:

	Notes	2021	2020	2019
Personnel costs	18	121,601,320	117,103,913	112,851,999
Taxes and licenses		39,233,432	30,537,097	34,950,465
Representation and entertainment		29,519,098	25,390,124	20,329,567
Repairs and maintenance		28,277,680	26,473,486	3,954,901
Depreciation and amortization	7	20,330,020	19,050,321	20,475,024
Transportation and travel		19,411,099	8,595,004	37,097,074
Provision for assessment	11	12,094,358	601,902	28,672,234
Professional fees		9,555,318	11,251,796	24,078,867
Outsourced services		8,902,341	5,658,700	5,892,389
Provision for impairment of input VAT	4,10	8,283,382	9,058,444	9,058,444
Amortization of computer software	8	7,259,577	6,797,074	1,327,194
Insurance		6,849,231	8,335,319	5,909,178
Communications		4,022,825	3,730,633	5,319,131
Supplies and construction materials		3,909,372	5,511,901	5,436,284
Utilities		2,909,360	2,785,417	2,631,120
Rent	22	1,935,226	2,206,361	4,227,435
Amortization of right-of-use assets	22	1,914,660	1,758,511	1,624,841
Registration and membership fees		1,878,307	100,482	272,807
Amortization of leasehold rights	10	1,621,467	1,621,467	1,621,467
Advertising and promotions		786,644	1,282,142	4,519,679
Fuel and lubricants		88,835	180,662	59,051
Write-off of trade receivables	3	-	6,825,051	5,534,061
Others		6,302,314	20,105,699	8,871,492
		336,685,866	314,961,506	344,714,704

Others mainly consisted of expenses such as directors' fee, membership fees, postage, courier, bank service charges and other expenses.

The components of net impairment loss on financial assets for the years ended December 31 are:

	Notes	2021	2020	2019
Net impairment losses on financial assets				
Trade and other receivable	3	99,389,922	98,417,856	76,728,154
Advances to a related party	21	288,364	1,736,698	7,389,948
		99,678,286	100,154,554	84,118,102

Note 18 - Personnel costs

The components of personnel costs for the years ended December 31 are:

	Notes	2021	2020	2019
Cost of services				
Salaries and wages		138,078,619	125,714,443	116,375,001
Crew expense		39,575,430	32,472,166	38,194,581
Tug and barge operations		23,519,925	20,599,062	20,750,245
Retirement benefit expense	20	12,516,495	12,249,478	11,361,937
Other employee benefits		35,621,058	34,369,304	27,576,813
	16	249,311,527	225,404,453	214,258,577
General and administrative expenses				
Salaries and wages		100,675,987	101,020,410	94,288,958
Retirement benefit expense	20	3,821,270	4,263,292	4,970,416
Other employee benefits		17,104,063	11,820,211	13,592,625
	17	121,601,320	117,103,913	112,851,999
		370,912,847	342,508,366	327,110,576

Other employee benefits mainly pertain to the employer's share on statutory contributions and insurance.

Note 19 - Other income (loss), net

The components of other income (loss), net for the years ended December 31 consist of:

	Notes	2021	2020	2019
Foreign exchange gain (loss), net	24	1,418,060	(6,672,523)	(20,606,210)
Interest income	2	108,971	404,660	886,384
Loss on debt restructuring, net	12	(45,047,143)	-	-
Gain (loss) on sale of property and equipment, net	6,7	(5,104,687)	4,771,817	-
Ship management		-	39,216,670	-
Insurance claims		-	17,901,148	-
Gain on reversal of finance lease liability	22	-	8,703,120	2,363,989
Provision for loss on construction advances	4	-	(21,580,622)	(2,940,464)
Others		44,820,869	24,520,922	5,677,580
		(3,803,930)	67,265,192	(14,618,721)

Ship management pertains to other income arising from the transport of fuel, freshwater and other supplies for various tugboats.

Insurance claims pertain to reimbursements from insurance companies for the damages on tugboats incurred by the Group in previous years.

Others pertain to cost recharges including depreciation expense amounting to P24,233,800 (2020 - P4,784,211; 2019 - P320,892), wreck stage, care taking services and non-routine special projects provided by the Group to their customers which do not fall under regular service income.

Note 20 - Retirement benefit

The Parent Company has an unfunded, non-contributory, and actuarially computed retirement benefit plan which provides a retirement benefit in accordance with the local conditions and practices in the Philippines. Under the Plan, the normal retirement age is 60 with a minimum of five years of service.

The retirement benefit obligation is determined using the “Projected Unit Credit” (PUC) method. Under the PUC method, the annual normal cost for the portion of the retirement benefit is determined as the amount necessary to provide for the portion of the retirement benefit accruing during the year. The latest actuarial valuation report of the Company prepared by the independent actuary is for the year ended December 31, 2021.

The amounts recognized in the statement of financial position as present value of defined benefit obligation amounted to P105,989,538 and P124,458,585 as at December 31, 2021 and 2020, respectively.

The Parent Company does not have any plan assets. The movements in the liability recognized in the statements of financial position as at December 31 are as follows:

	2021	2020
Beginning of year	124,458,585	113,617,579
Current service cost	12,288,792	11,796,930
Interest cost	4,048,973	4,715,840
Benefits paid	(511,912)	(2,789,610)
Remeasurement (gain) loss due to:		
Experience adjustments	(22,836,774)	10,141,991
Changes in financial assumptions	(11,458,126)	(13,024,145)
End of year	105,989,538	124,458,585

The amounts recognized in profit or loss for the years ended December 31 are as follows:

	2021	2020	2019
Current service cost	12,288,792	11,796,930	10,392,867
Net interest cost	4,048,973	4,715,840	5,939,486
Retirement benefit expense	16,337,765	16,512,770	16,332,353

Retirement benefit expense is included as part of personnel cost under cost of services and general and administrative expenses (Notes 16 and 17).

The amounts of remeasurement loss (gain) on defined benefit obligation recognized in other comprehensive income for the years ended December 31 are as follows:

	Note	2021	2020	2019
Due to change in financial assumptions		(11,458,126)	10,141,991	10,627,543
Due to experience		(22,836,774)	(13,024,145)	5,208,112
Remeasurement loss (gain)		(34,294,900)	(2,882,154)	15,835,655
Deferred income tax expense	23	8,573,724	864,645	(4,750,697)
Deferred income tax effect of CREATE	23	(86,278)	-	-
Remeasurement gain, net of tax		(25,807,454)	(2,017,509)	11,084,958

Movements in cumulative other comprehensive income related to retirement benefit obligation for the years ended December 31 presented as part of retained earnings in the statements of financial position follows:

	Note	2021	2020
Beginning of year		(976,587)	(2,994,096)
Remeasurement gain for the year		34,294,900	2,882,154
Deferred income tax effect	23	(8,487,446)	(864,645)
End of year, net of tax		24,830,867	(976,587)

Shown below is the maturity analysis of the undiscounted benefit payments as at December 31:

	2021	2020
Less than one year	30,097,095	37,508,192
More than one year to five years	30,965,521	16,960,375
More than five years to 10 years	36,746,586	64,764,484
More than 10 years to 15 years	66,012,757	65,178,581
More than 15 years to 20 years	104,977,081	93,847,700
More than 20 years	182,644,998	204,275,980
Total expected payments	451,444,038	482,535,312

The average duration of the defined benefit obligation at the end of the reporting period is 17.16 years (2020 - 17.14 years)

There are no unusual or significant risks to which the Plan exposes the Parent Company.

Demographic assumptions

Demographic assumptions, such as mortality rates, are set having regard to the latest trends in life expectancy (including expectations for future improvements), plan experience and other relevant data. The assumptions are reviewed and updated as necessary as part of the periodic actuarial valuation of the pension plan. The assumptions used in 2021 are consistent with those applied in 2020.

Assumptions regarding future mortality experience are set based on advice from published statistics and experience within the industry.

Critical accounting estimate

The present value of the retirement benefit obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost for pension include the discount rate and future salary increase. Any changes in these assumptions will impact the carrying amount of retirement benefit obligation.

The Parent Company determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the retirement benefit obligation. In determining the appropriate discount rate, the Parent Company considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related retirement benefit obligation.

The significant actuarial assumptions used by the Parent Company for the years ended December 31 are as follows:

	2021	2020
Discount rate	5.09%	3.86%
Salary growth rate	5.00%	5.00%

The sensitivity of the defined benefit obligation at December 31 to changes in the significant weighted principal assumptions is:

	2021			2020		
	Increase (decrease) in defined benefit obligation					
	Change in assumption	Increase in assumption	Decrease in assumption	Change in assumption	Increase in assumption	Decrease in assumption
Discount rates	1%	(7,808,087)	9,148,268	1%	(9,539,187)	11,253,876
Salary growth rate	1%	9,596,061	(8,346,092)	1%	11,602,096	(10,041,863)

The sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the retirement benefit obligation recognized within the statements of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

HSEC, HSSC and ADGI provide for the estimated retirement benefits based on the retirement due under Republic Act (RA) No. 7641, the Retirement Pay Law. Under the Retirement Pay Law, the retirement benefit obligation is computed as one-half of monthly salary for every year of service, a fraction of six months being considered as one whole year. The term one-half of monthly salary shall mean 15 days plus the one-twelfth of the 13^{th} month, and the cash equivalent of not more than five days service incentive leaves.

Note 21 - Related party transactions and balances

The table below summarizes the Group's transactions with their related parties for the years ended December 31:

	Terms and conditions	2021	2020	2019
Purchase of services				
Associate	Services rendered to the Parent Company are billed based on agreed prices. These are unsecured, non-interest bearing and are payable in cash within 30 days after invoice date.	31,365,575	19,001,400	-

The table below summarizes the outstanding balances with related parties as at December 31:

	Terms and conditions	Notes	2021	2020
Advances to related party, net of provision:				
Officers	These are unsecured, non-interest bearing and are subject to liquidation.	3	31,854,445	77,925,701
Advances from related parties:				
Officers	These are unsecured, non-interest bearing, due on demand and are to be paid in cash.	11	(10,889,831)	(9,313,168)

Key management compensation and benefits

Key management compensation and benefits for the years ended December 31 consist of:

	Terms and conditions	2021	2020	2019
Salaries and short term employee benefits	Key management compensation covering salaries and wages and other short-term benefits are determined based on contract of employment and payable in accordance with the Group's payroll period. These were fully paid at reporting date.	64,027,848	72,101,426	84,067,198
Retirement benefits	Retirement benefits are determined and payable in accordance with policies disclosed in Note 27.19. These will be settled upon retirement of key management.	4,751,979	5,613,733	5,390,789
Professional fees	Professional fees are paid to a director holding key position in the Parent Company.	585,000	464,834	1,182,119
		69,364,827	78,179,993	90,640,106

As at December 31, 2021, and 2020, amounts due from and to key management personnel are reflected as part of advances to officers (Notes 3 and 11) and retirement benefit obligation.

The Group has not provided share-based payments, termination benefits or other long-term benefits other than retirement benefits to its key management personnel for the years ended December 31, 2021, 2020 and 2019.

For the year ended December 31, 2021, receivables from related parties, foreign entities, has been determined to be uncollectible, hence, a net provision for impairment of receivable from related parties amounting to P288,364 (2020 - P1,736,698) was charged to net impairment losses on financial assets in statements of total comprehensive income, as a result of management's assessment of collectability.

Movement in the provision for impairment of advances to a related party for the years ended December 31 are as follows:

	Note	2021	2020
Beginning of year		1,736,698	7,389,948
Provision for impairment of advances to a related party	17	288,364	1,736,698
Write-off		(2,025,062)	(7,389,948)
End of year		-	1,736,698

The following related party transactions and balances were eliminated for the purpose of preparing the consolidated financial statements for the years ended December 31:

	2021	2020	2019
Advances to related parties	1,410,621,631	1,349,246,441	1,268,259,237
Advances from related parties	1,410,621,631	1,349,246,441	1,476,259,237
Investment in subsidiaries	(284,174,514)	(268,247,453)	(519,192,305)
Cost of services	(13,669,004)	(13,016,745)	(4,251,699)
Other income, net	13,669,004	13,016,745	3,866,210

There are no unrealized gains and losses eliminated in the consolidation.

Note 22 - Leases

The Group has entered into long term and short term lease agreements in 2021 and 2020.

(a) Long-term lease agreements

(i) Office space and warehouse lease

The Parent Company entered into two (2) operating lease agreement for its Cebu and Davao branch office space. The Cebu Branch office is located at Unit No. 1 Benley Building, J. de Veyra Street, North Reclamation Area, Cebu City. The lease term of the Cebu Branch office covers a period of two (2) years from February 15, 2019 to February 14, 2021 subject to renewal upon agreement by both parties. The contract was subsequently renewed for another two (2) years from February 15, 2021 to February 14, 2023. The Davao Branch office is located at DR 2 Ground Floor Building 1, Insular Village One Commercial Area, Lanang, Davao City. The lease term of the Davao branch office covers a period of one (1) year from April 1, 2019 to March 31, 2020 subject to renewal upon option of the lessee. The contract was subsequently renewed for another year covering April 1, 2020 to March 31, 2021 and April 1, 2021 to March 31, 2022. As at December 31, 2021 and 2020, the required security deposit amounted to P50,400. These are presented as refundable deposits under “Other non-current assets” (Note 10) in the consolidated statement of financial position in 2021 and 2020.

The Parent Company entered into a operating lease agreement for a 200 square meter warehouse space in SOS Mabini Storage Facility, Mabini, Batangas. The lease term initially covers a period of one (1) year from January 9, 2019 to January 4, 2020 which was subsequently renewed for two (2) consecutive years to end on January 4, 2021 and January 9, 2022. The lease agreement is renewable for another year upon agreement by both parties.

On November 18, 2021, HSSC entered into sublease agreement for its Subic office space with a third party. The agreement provides the Company to with the exclusive rights over Unit 9 and 10, Alava Quay, Global Commercial Building located at Central Business District Area, Waterfront Road, Subic Bay Freeport consisting of 48.68 square meters for a period of three (3) years to expire on September 30, 2024. The sublease agreement may be renewed upon the mutual consent of the parties and written consent of SBMA.

(ii) Barge Queen Jade

The Group entered into a lease agreement covering Barge Queen Jade with the Development Bank of the Philippines (DBP) on February 27, 2014. The lease term covers a period of ten (10) years with an annual interest rate of 6%. The first monthly lease payment commenced on September 15, 2014 until September 15, 2024. The lease agreement required the Parent Company to pay a lease guarantee deposit amounting to P4,301,032 at the inception of the contract which will be applied as final payment at the end of the lease term. The lease guarantee deposit was classified as part of the right-of-use asset upon adoption of PFRS 16 as it will be applied as final payment at the end of the lease term.

(iii) Bareboat charter

The Group entered into two (2) standard bareboat charter lease agreement covering the lease of Crest 2801, a barge, and Crest Opal, a tugboat, with Pacific Crest Pte. Ltd. on September 21, 2018. The lease term covers a period of 12 months from delivery of the barge and tugboat on October 31, 2018 until October 31, 2019. The lease is renewable annually upon mutual agreement by both parties. The Group has issued a letter of intent to lease the barge and tugboat for a period of five (5) years from the commencement of the lease.

Due to the decrease in operations arising from the impact of COVID 19, the Group was not able to fully utilize the barge and tugboat in 2020 resulting in lease modifications.

For the barge, no lease payment was made in 2020. On January 8, 2021, the Group executed a memorandum of agreement and a bill of sale to purchase the barge. This was capitalized under "Property and equipment at cost" (Note 7) in the consolidated statement of financial position.

For the tugboat, no lease payment was made from January to September 2020. The Group entered into a new bareboat charter lease agreement for Crest Opal on December 18, 2020. The new lease term covers a period of 12 months from the delivery of the tugboat effective October 1, 2020. The new lease term also covers a bargain purchase option to acquire the tugboat within the new lease period. The new lease agreement was considered as short-term under PFRS 16, "*Leases*" because the lease term is less than 12 months. On May 31, 2021, the Parent Company acquired the tugboat was capitalized under "Property and equipment at revalued amounts, net" (Note 6) in the consolidated statement of financial position.

(iv) Construction equipment

On February 1, 2021, the Parent Company entered into a lease agreement with a third party for the lease of a construction equipment. The lease term covers a period of two (2) years starting February 1, 2021 until January 31, 2023. The Parent Company can purchase the construction equipment at the end of the lease term upon settlement of the final lease payment at the end of the lease term.

(v) Land

On April 12, 2016, ADGI entered into a forest land use agreement with the Department of Environment and Natural Resources (DENR). The agreement provides ADGI with the exclusive right to occupy, manage and develop approximately one hundred fifty-six (156) hectares of forestland in Sitio Chanco, Barangay Bawing, General Santos City, South Cotabato, for the solar power plant project for a period of twenty-five (25) years to expire on April 12, 2041. The agreement is renewable for another twenty-five (25) years subject to mutual agreement by both parties. The Company shall pay an annual lease of P468,000 upon the signing of the agreement in April 2016 to be increased cumulatively by 10% every year.

(b) Short-term lease agreements

(i) Office space

The Parent Company and subsidiaries have various operating lease agreements covering office spaces for provincial branches for periods ranging from six (6) months to one (1) year which can be extended or renewed upon mutual agreement by both parties.

(ii) Other variable lease agreements

The Parent Company also entered into various operating lease agreements with third parties for rental of generator set, equipment, boats, truck, car, housing and other items as the need arises during the normal course of its business operations. The lease term covers a period ranging for one (1) day to less than one (1) year.

Rent expense from the foregoing lease agreements recognized in profit or loss for the years ended December 31 are as follows:

	Notes	2021	2020	2019
Cost of services	16	75,825,953	43,674,364	24,739,717
General and administrative expenses	17	1,935,226	2,206,361	4,227,435
		77,761,179	45,880,725	28,967,152

These short-term lease agreements require the Parent Company to pay the refundable deposits which are presented within prepayments and other current assets (Note 4) in the consolidated statement of financial position. As at December 31, 2021 and 2020, refundable deposits amounted to P3.9 million (Note 4).

These lease agreements were considered as short-term and low value lease under PFRS 16, "*Leases*" because the lease term is less than 12 months.

Lease terms are negotiated either on a collective or individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

(c) Amounts recognized in the consolidated statement of financial position

Leased assets and lease liabilities are presented as a separate line items in the consolidated statement of financial position. As at December 31 the carrying amounts of right-of-use asset related to the lease agreements above is shown below:

	Office space and warehouse	Construction equipment	Barge	Land	Total
Cost					
January 1, 2020	1,714,867	-	147,164,910	20,956,053	169,835,830
Additions	1,120,321	-	-	-	1,120,321
Reclassification	-	-	(74,189,224)	-	(74,189,224)
December 31, 2020	2,835,188	-	72,975,686	20,956,053	96,766,927
Accumulated amortization					
January 1, 2020	786,599	-	27,449,001	3,352,968	31,588,568
Amortization	920,271	-	17,504,478	838,242	19,262,991
Lease modification	-	-	(32,148,661)	-	(32,148,661)
December 31, 2020	1,706,870	-	12,804,818	4,191,210	18,702,898
Net carrying amount					
December 31, 2020	1,128,318	-	60,170,868	16,764,843	78,064,029
Cost					
January 1, 2021	2,835,188	-	72,975,686	20,956,053	96,766,927
Additions	1,563,104	303,572	-	-	1,866,676
Reclassification (Note 7)	-	3,803,571	-	-	3,803,571
December 31, 2021	4,398,292	4,107,143	72,975,686	20,956,053	102,437,174
Accumulated amortization					
January 1, 2021	1,706,870	-	12,804,818	4,191,210	18,702,898
Amortization	1,076,417	2,224,702	2,666,635	838,242	6,805,996
December 31, 2021	2,783,287	2,224,702	15,471,453	5,029,452	25,508,894
Net carrying amount					
December 31, 2021	1,615,005	1,882,441	57,504,233	15,926,601	76,928,280

Movements in the lease liabilities for the years ended December 31 are as follows:

	2021	2020
Lease liabilities		
At January 1	40,632,828	91,762,062
Additions	4,438,105	1,120,321
Principal payments	(6,892,929)	(5,628,886)
Interest payments	(1,876,649)	(1,193,385)
Interest expense	2,301,992	5,316,399
Lease modifications	-	(50,743,683)
At December 31	38,603,347	40,632,828
Lease liabilities		
Current	6,771,855	5,044,918
Non-current	31,831,492	35,587,910
	38,603,347	40,632,828

(d) Amounts recognized in the statements of total comprehensive income

Amounts recognized in the consolidated statement of total comprehensive income for the years ended December 31 related to the lease agreements above are as follows:

	Notes	2021	2020
Amortization expense of right-of-use asset	16,17	6,805,996	19,262,991
Expense relating to short-term lease	16,17	77,761,179	45,880,725
Interest expense on lease liability		2,301,992	5,316,399
		86,869,167	70,460,115

The total cash outflows for leases for the year ended December 31, 2021 amounted to P62.8 million (2020 - P52.7 million). The Group recognized a net gain on lease modifications amounting to P8.7 million and P2.4 million in 2020 and 2019, respectively, as presented in the other income, net (Note 19). No gain or loss on lease modification was recognized in 2021.

(e) Discount rate

The lease payments for office space and warehouse lease and barge are discounted at 1.86% to 6.87% in 2021 (2020 - 5.23% to 7.03%) which is Group's incremental range of borrowing rate, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

(f) Extension and termination options

Extension and termination options are included in the lease agreements of the Group. These are used to maximize the operational flexibility in terms of managing the assets used in the Group's operations. The extension and termination options held are exercisable upon mutual agreement by both parties unless specifically stated that extension and termination is at the option of the lessee.

<u>Critical accounting judgment</u>

(a) Incremental borrowing rate of lease liabilities

Payments for leases of properties and office equipment are discounted using the lessee's incremental borrowing rate, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received. Where third party financing cannot be obtained, the Group uses the government bond yield, adjusted for the (1) credit spread specific to each entity under the Group and (2) security using the right-of-use asset.

(b) Extension and termination options of lease agreements

Extension and termination options are included in a number of properties, plant and equipment leases of the Group. These are used to maximize operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

Extension options are considered in the bareboat charter lease agreement of the Group based on the letter of intent.

(c) Determining lease terms

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The Group considers the factors below as the most relevant in assessing the options:

- If there are significant penalties to terminate (or not extend), the Group is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Group is typically reasonably certain to extend (or not terminate).
- Otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

Note 23 - Income tax expense

All the companies in the Group are subject to normal corporate income tax rate at 25% in 2021 and 30% in 2020 except for HSSC and ADGI. HSSC is registered under Republic Act No. 7227, otherwise known as Bases Conversion and Development Act of 1992, that enables it to be under Gross Income Taxation (GIT) of 5%. ADGI is registered under the Renewable Act 9531, an Act Promoting The Development, Utilization, and Commercialization of Renewable Energy Resources and For Other Purposes, that provides for fiscal incentives including income tax holiday.

Corporate Recovery and Tax Incentives for Enterprises Act (CREATE)

On March 26, 2021, Republic Act (RA) No. 11534, otherwise known as CREATE, was signed into law. Among the salient provisions of CREATE include changes to the Corporate Income Tax (CIT) as follows:

- RCIT rate of 20% (from 30%) shall be applicable to domestic corporations with net taxable income not exceeding P5 million and with total assets not exceeding P100 million (excluding land on which the business entity's office, plant and equipment are situated) from July 1, 2020;
- RCIT rate of 25% (from 30%) shall be applicable to all other domestic and foreign corporations from July 1, 2020; and
- For the period beginning July 1, 2020 until June 30, 2023, the MCIT rate shall be 1%, instead of 2%.

PAS 12, Income Taxes, requires current and deferred taxes to be measured with reference to the tax rates and laws, as enacted or substantively enacted by the end of the reporting period.

As at December 31, 2020, the CREATE bill was still pending ratification by both the Philippine Congress and Senate, and consequently pending approval of the President of the Republic of the Philippines. As such, the Company has assessed that the proposed tax law is not enacted or substantively enacted as at December 31, 2020. For financial reporting purposes, the enactment of CREATE after December 31, 2020 is deemed a non-adjusting subsequent event.

PAS 10, Events After Reporting Period, indicated the change in tax rates as one of the non-adjusting subsequent events and therefore any impact of the new tax rates if enacted on or prior to financial statement release will only be disclosed in the 2020 financial statements as a subsequent event item. The impact of the revised CIT rates effective July 1, 2020 was recorded as an adjustment in 2021.

Deferred income tax (DIT) assets (liabilities), net as at December 31 consist of:

	Note	2021	2020
DIT assets			
Retirement benefit obligation		26,342,397	37,094,930
Allowance for impairment of receivables		13,843,537	19,083,254
Provision for loss on construction advances		6,130,272	7,356,326
Unrealized foreign exchange loss, net		965,823	560,182
Provision for tax assessment		-	204,537
Provision for impairment of investment		-	14,895
		47,282,029	64,314,124
DIT liabilities			
Lease liabilities		(356,535)	(149,925)
Discount on loans		(798,398)	-
Revaluation increment on property and equipment	6	(95,581,137)	(30,387,332)
		(96,736,070)	(30,537,257)
DIT assets (liabilities), net		(49,454,041)	33,776,867

The maturity of DIT assets and liabilities are as follows:

	2021	2020
DIT assets:		
Expected to be recovered within 12 months	20,939,632	27,219,194
Expected to be recovered more than 12 months	26,342,397	37,094,930
	47,282,029	64,314,124
DIT liabilities		
Expected to be settled within 12 months	(356,535)	(149,925)
Expected to be settled more than 12 months	(96,379,535)	(30,387,332)
	(96,736,070)	(30,537,257)
	(49,454,041)	33,776,867

Deferred income tax assets are recognized for tax loss carryforwards to the extent that the realization of the related tax benefit through the future taxable profits is probable. The details of unrecognized deferred income tax assets related to net operating loss carryover (NOLCO) for the years ended December 31, 2021 and 2020 which could be carried over as deductible expense from taxable income for three (3) to five (5) consecutive years following the year of incurrence are as follows:

Year of incurrence	Year of expiration	2021	2020
2018	2021	-	16,050,226
2019	2022	214,996,550	214,996,550
2020	2025	2,683,370	2,683,370
2021	2026	38,995,570	-
		256,675,490	233,730,146
Applicable tax rates		25%	30%
		64,168,873	70,119,042

Where higher than normal income tax, the individual companies in the Group are required to pay Minimum Corporate Income Tax (MCIT) equal to 2% of gross profit as required by the Tax Reform Act of 1997. This amount may separately be offset against normal income tax liabilities for the three (3) immediately succeeding taxable years. The details of deferred income tax asset on MCIT for the years ended December 31, 2021 which could be carried forward on an annual basis and credited against normal income tax payable within three (3) immediately succeeding years from the period when the MCIT was paid are shown below:

Year of incurrence	Year of expiration	2021	2020
2019	2022	5,403,066	5,403,066
2020	2023	4,898,181	6,530,908
2021	2024	3,688,060	-
		13,989,307	11,933,974

Realization of the future tax benefits related to the deferred income tax assets is dependent on many factors, including the companies' ability to generate taxable income within the NOLCO and MCIT period. Management has considered these factors in reaching its conclusion on the realizability of the deferred income tax assets. The Parent Company did not recognize deferred income tax assets in respect of its NOLCO and MCIT as it does not expect that future taxable profits will be available against which these can be utilized.

The movements in the Group's net DIT assets (liabilities) for the years ended December 31 are as follows:

	Notes	2021	2020
Beginning of year		33,776,867	24,452,501
DIT credited to profit or loss		(5,594,483)	10,189,011
DIT charged to other comprehensive income	6,20	(77,636,425)	(864,645)
End of year		(49,454,041)	33,776,867

Income tax expense (benefit) for the years ended December 31 is as follows:

	2021	2020	2019
Current	5,615,023	8,667,382	6,678,689
Deferred	5,594,483	(10,189,011)	(29,970,802)
	11,209,506	(1,521,629)	(23,292,113)

The reconciliation between income tax expense (benefit) computed at the statutory income tax rate and the actual income tax expense as shown in the statements of total comprehensive income for the years ended December 31 is summarized as follows:

	2021	2020	2019
Income tax (benefit) computed	(23,012,990)	(23,634,319)	(106,589,878)
Adjustments to income tax resulting from:			
Unrecognized NOLCO	9,905,558	805,011	60,638,636
Unrecognized deferred taxes	14,116,348	15,455,884	-
Effect of change in tax rates	9,371,707	-	-
Non-deductible expenses	5,346,744	16,982,720	17,187,413
Unrecognized MCIT	3,688,060	-	5,403,066
Final income tax expense	1,860,775	1,316,556	1,275,623
Non-deductible expenses under GIT	509,383	-	-
Unrecognized movement in deferred tax	7,187	23,040,821	3,686,828
Limitation on interest expense	5,069	-	79,097
Share in net income of associates	(5,069,514)	(26,929,383)	(4,775,072)
Non-taxable income due to income tax holiday	(5,496,923)	(8,511,554)	-
Interest income subjected to final tax	(21,898)	(47,365)	(197,826)
Income tax expense (benefit)	11,209,506	(1,521,629)	(23,292,113)

Critical accounting judgment

The recognition of DIT assets depends on management's assessment of adequate future taxable income against which the temporary differences can be applied. The Group reviews the carrying amounts of DIT assets at the end of each reporting period and recognizes the amount to the extent that it is probable that sufficient taxable profit will allow all or part of its DIT assets to be utilized. The Group's management believes that the DIT assets at the end of each reporting period will be fully realized other than on the Parent Company's MCIT and NOLCO, and ADGI's temporary difference resulting from allowance of bad debts, retirement benefit obligation, lease liability, premium on loans payable and unrealized foreign exchange gain (losses).

Note 24 - Foreign currency denominated monetary assets and liabilities

The Group's foreign currency monetary financial assets and liabilities are as follows:

	2021			2020			
	In USD	In JPY	In MYR	In USD	In JPY	In MYR	In Thai Baht
Assets							
Cash	328,062	1,229,155	-	2,083,575	2,114,237	29,976,696	-
Trade and other receivables	310,424	-	-	468,139	-	-	-
Advances to related parties	22,171	-	17,695,665	-	-	-	-
	660,657	1,229,155	17,695,665	2,551,714	2,114,237	29,976,696	-
Liabilities							-
Trade and other liabilities	(1,849,478)	(81,717,329)	-	(50,745,532)	(9,150,785)	(13,521,556)	-
Advances from related parties	-	-	-	(22,500)	-	(60,900,635)	(28,995)
Borrowings	-	(55,000,000)	-	-	-	-	-
	(1,849,478)	(136,717,329)	-	(50,768,032)	(9,150,785)	(74,422,191)	(28,995)
Net foreign currency assets (liabilities)	(1,188,821)	(135,488,174)	17,695,665	(48,216,318)	(7,036,548)	(44,445,495)	(28,995)
Year-end exchange rates	50.77	0.44	12.16	48.04	0.47	11.87	1.59
Peso equivalent	(60,361,197)	(59,614,797)	215,179,286	(2,316,311,917)	(3,307,178)	(527,568,026)	(46,102)

Foreign exchange loss, net presented under other income (loss) in the consolidated statements of total comprehensive income for the years ended December 31 consists of:

	Note	2021	2020	2019
Realized foreign exchange gain (loss)		1,435,008	(6,360,875)	(18,850,690)
Unrealized foreign exchange gain (loss)		(16,948)	(311,648)	(1,755,520)
	19	1,418,060	(6,672,523)	(20,606,210)

Net unrealized foreign exchange loss on borrowings presented under other income (loss), net in the consolidated statements of total comprehensive income for the year ended December 31, 2021 amounted to P264,670 (2020 - nil; 2019 - P28,546), which is presented as finance cost in the statement of comprehensive income.

Note 25 - Critical accounting estimates, assumptions and judgments

In preparing the Group's consolidated financial statements, management has made its best estimates and judgments of certain amounts, giving due consideration to materiality. The estimates and assumptions used in the accompanying consolidated financial statements are based upon management's evaluation of the relevant facts and circumstances as at the date of the consolidated financial statements.

The resulting accounting estimates will, by definition, seldom equal the related actual results. These estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates, assumptions and judgments that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed hereafter.

(a) Critical accounting estimates and assumptions

- Impairment of goodwill (Note 1.2)
- Recoverability of trade and other receivables (Note 3)
- Useful lives of property, plant and equipment (Notes 6 and 7)
- Revaluation of tugboats (Note 6)
- Retirement benefit obligation (Note 20)

(b) Critical judgments in applying the Group's accounting policies

- Determining control over investments with ownership of less than half of the entity's total equity (Note 1.3 and Note 5)
- Impairment of investment in associates (Note 5)
- Impairment of property, plant and equipment (Note 7)
- Decommissioning cost (Note 7)
- Impairment of investment properties (Note 9)
- Recoverability of input VAT (Note 10)
- Incremental borrowing rate (Note 22)
- Extension and termination options of lease agreements (Note 22)
- Determining lease terms (Note 22)
- Current and deferred income tax (Note 23)

Note 26 - Financial risk and capital management

26.1 Financial risk management

The Parent Company's BOD has the overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and manage the Group's exposure to financial risks, to set appropriate transaction limits and controls, and to monitor and assess risks and compliance to internal control policies. Risk management policies and structure are reviewed regularly to reflect changes in market conditions and the Group's activities. The main risks arising from the use of financial instruments are market risk, credit risk and liquidity risk. The Parent Company's BOD reviews and approves the policies for managing each of these risks.

26.2 Components of financial assets and liabilities

(a) Financial assets

The Group's financial assets as at December 31 are as follows:

	Notes	2021	2020
Cash	2	263,963,505	272,482,354
Trade and other receivables, gross*	3	1,065,929,590	802,332,987
Refundable deposits	4,10	4,010,369	3,902,556
Financial assets at fair value through other comprehensive income (FVOCI)	10	1,816,198	810,000
		1,335,719,662	1,079,527,897

**excluding advances to officers, employees and others subject to liquidation*

Trade and other receivables are presented gross of allowance for impairment amounting to P259,514,939 as at December 31, 2021 (2020 - P169,265,262) (Note 3).

Advances to employees amounting to P174,587,028 as at December 31, 2021 (2020 - P130,546,259) are considered non-financial assets as these are mainly subject to liquidation (Note 3).
Lease guarantee deposits amounting to P55,000 and P4,356,032 as at December 31, 2021 and 2020, respectively, are also considered as non-financial asset as these will be applied as final payment at the end of the lease term (Notes 10 and 22).

The other components of prepayments and other current assets and non-current assets are considered non-financial assets.

(b) Financial liabilities

The Group's financial liabilities as at December 31 are as follows:

	Notes	2021	2020
Trade and other payables	11	603,339,881	442,357,995
Short-term loans	12	522,271,500	498,000,000
Borrowings	12	3,571,165,941	3,592,760,833
Lease liabilities	22	38,603,347	40,632,828
		4,735,380,669	4,573,751,656

As at December 31, trade and other payables above exclude the following which are considered as non-financial liabilities:

	Note	2021	2020
Accrued construction costs	11	34,606,805	31,441,671
Unearned income	11	10,957,608	7,188,709
Payable to government agencies	11	5,125,573	5,661,705
		50,689,986	44,292,085

26.3 Market risk

(a) Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Most transactions are carried out in Philippine Peso, which is the Parent Company's functional currency. Exposures to currency exchange rates arise from the Group's overseas transactions, which are primarily denominated in United States Dollar (USD), Japanese Yen (JPY) and Malaysian Ringgit (MYR). The Parent Company also maintains

US Dollar-denominated bank accounts. Further, the Group has JPY payables from foreign suppliers, which have been used for the purchase of certain tugboats (Note 6) and maintains MYR bank accounts and receivables. To mitigate the Group's exposure to foreign currency risk, non-Philippine Peso cash flows are monitored on a regular basis.

The following table demonstrates the sensitivity to a reasonably possible change in the Philippine Peso exchange rate, with all other variables held constant, of the Parent Company's income before tax. There is no impact on the Parent Company's equity other than those already affecting the net income.

	2021			2020		
	Effect on income before tax					
Currency	Change in exchange rate	Increase	Decrease	Change in exchange rate	Increase	Decrease
USD	+/-5.39%	(3,435,211)	3,435,211	+/-5.23%	5,480,654	(5,480,654)
JPY	+/-6.24%	2,377,101	(2,377,101)	+/-2.17%	17,592	(17,592)
MYR	+/-4.13%	5,282,497	(5,282,497)	+/-3.34%	3,702,153	(3,702,153)

The reasonable possible changes in foreign exchange rates used in the sensitivity analysis are the rates of change in foreign currencies between the Philippine Peso equivalent at year end and thirty (30) days from reporting date, by which management is expected to receive or settle the Parent Company's most significant financial assets or liabilities, respectively.

(b) Price risk

The Group is exposed to equity securities price risk because of the Group's proprietary shares in golf and country club classified as financial assets at fair value through other comprehensive income in the consolidated statement of financial position.

As at December 31, 2021 and 2020, the Group's exposure to price risk is not considered significant.

(c) Cash flow and fair value interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial assets and liabilities will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial assets and liabilities will fluctuate because of changes in market interest rates.

The Group's financial liabilities are subject to fixed rates and are measured at amortized cost, hence not subject to repricing and independent of changes in market interest rates.

26.4 Credit risk

Credit risk arises from cash deposited in banks and financial institutions, as well as credit exposures on amounts receivable from customers, related parties and other parties. The Group provides services only to recognized, creditworthy third parties. Individual risk limits are set based on internal ratings in accordance with limits set by the Parent Company's BOD. The utilization of credit limits is regularly monitored. In addition, the Group's receivables are monitored on an ongoing basis and stringent collection policy enforced resulting in an insignificant exposure to bad debt.

The Group's financial assets are categorized based on the Group's collection experience with the counterparties as follows:

a. High performing - settlements are obtained from counterparty following the terms of the contracts without much collection effort.
b. Underperforming - more than 60 days past due but expected to be collected after some reminders/ follow ups.
c. Credit impaired - more than 360 days past due and unlikely to be collected despite reminders/follow ups.

The aging analysis of the Group's financial assets that are exposed to credit risks are as follows:

	Notes	Gross amount	High performing	Underperforming		Credit impaired
December 31, 2021						
Cash and cash equivalents	2	261,885,870	261,885,870	-	-	-
Trade and other receivables	3	1,097,784,035	653,731,420	147,199,811	10,819,979	286,032,825
Refundable deposits	4,10	4,010,369	4,010,369	-	-	-
		1,363,680,274	919,627,659	147,199,811	10,819,979	286,032,825
December 31, 2020						
Cash and cash equivalents	2	270,471,997	270,471,997	-	-	-
Trade and other receivables	3	802,332,987	534,881,101	57,662,373	16,898,414	192,891,099
Refundable deposits	4,10	3,902,556	3,902,556	-	-	-
		1,076,707,540	809,255,654	57,662,373	16,898,414	192,891,099

The maximum exposure to credit risk at the reporting date is equal to the carrying value of the financial assets summarized above.

None of the financial assets that are fully performing has been renegotiated in 2021 and 2020.

As at December 31, 2021 and 2020, the Parent Company holds a maritime lien over the ships owned and operated by a government-owned corporation as security for a receivable amounting to P2,536,663. The fair value of the maritime lien amounted to P12,025,458.

Credit quality of fully performing financial assets

(a) High performing

(i) Cash in banks

To minimize credit risk exposure, the Group deposits its cash in the following banks:

	2021	2020
Universal banks	98,167,137	249,417,237
Commercial banks	163,718,733	21,054,760
	261,885,870	270,471,997

The remaining item in cash presented in the consolidated statement of financial position pertains to cash on hand amounting to P2,077,635 as at December 31, 2021 (2020 - P2,010,357) (Note 2).

(ii) Trade and other receivables

There is no concentration of credit risk with respect to trade and other receivables as the Group has a large number of customers other than its energy business which only has one (1) customer. Presently, ongoing discussion are being made to address long outstanding balances. accordingly, the Group provided for allowance for bad debts amounting to P214,417,660 in 2021 (2020 - P122,702,320). To minimize credit risk, the Group transacts only with counterparties with good credit standing. As at December 31, 2021, trade and other receivables amounting to P653,731,420 (2020 - P534,881,101) are fully performing thus, collectible.

On that basis, the loss allowance from trade receivables as at December 31 was determined as follows:

	Current	Up to 6 months past due	6 to 12 months past due	Over 12 months past due	Total
2021					
Expected loss rate	Within 0% to 3%	Within 0% to 2%	Within 0% to 1%	56%	
Trade receivables	187,157,362	271,960,671	162,695,339	444,116,218	1,065,929,590
Loss allowance	5,895,210	6,403,042	758,854	246,457,833	259,514,939
2020					
Expected loss rate	Within 0% to 9%	Within 0% to 18%	Within 0% to 18%	100%	
Trade receivables	609,168,381	57,662,373	16,898,414	40,678,118	724,407,286
Loss allowance	127,214,144	866,047	506,953	40,678,118	169,265,262

(iii) Advances to officers, employees and others; Due from related parties

Advances to employees are collected through liquidation and salary deduction, thus, not a financial asset subject to credit risk.

Advances to officers and others and due from a related parties which mainly pertain to cash advances to the Company's officers and its related parties are subject to normal credit terms. Credit risk is minimized since the related party is paying on normal credit terms. Those identified to be uncollectible were fully provided and the expected credit loss on the remaining balance is expected to be immaterial.

(iv) Refundable deposits

Refundable deposits amounting to P4,010,369 as at December 31, 2021 (2020 - P3,902,556) pertain to deposits made to lessors for the lease of the Group's office space and warehouse, which are refundable at the end of the respective lease term.

(b) Underperforming

Underperforming trade and other receivables as at December 31, 2021 amounting to P158,019,860 (2020 - P74,560,787) are related to a number of independent customers with delay in payments but no history of default. Management has assessed based on credit worthiness and existing relationship with customers as well as historical experience that these accounts are fully collectible.

(c) Credit impaired

As at December 31, 2021, trade and other receivables amounting to P286,032,825 (2020 - P192,891,099) are impaired and have been fully provided for with allowance for impairment. The individually impaired receivable from customers relate to customers that are in unexpectedly difficult economic situations. These trade receivables were assessed by management as non-recoverable.

26.5 Liquidity risk

The Group manages liquidity risk by maintaining a balance between continuity of funding and flexibility. As part of its liquidity risk management, the Group regularly evaluates its projected and actual cash flows.

The table below analyzes the Group's financial liabilities into relevant maturity groupings based on the remaining period at reporting date to the contractual maturity date. Amounts disclosed in the table are the contractual undiscounted cash flows.

	Notes	Gross amount	Less than 3 months	3 to 12 months	More than one year
December 31, 2021					
Trade and other payables	11	603,339,881	574,300,480	13,791,050	15,248,351
Short-term loans	12	522,271,500	-	522,271,500	-
Borrowings	12	3,571,165,941	4,101,306	255,166,031	3,311,898,604
Future interest payable on short-term loans and borrowings		1,283,268,616	38,590,088	271,562,128	973,116,400
Lease liabilities	22	38,603,347	1,153,944	5,617,911	31,831,492
Future interest payable on lease liabilities		20,731,600	162,904	1,491,338	19,077,358
		6,039,380,885	618,308,722	1,069,899,958	4,351,172,205
December 31, 2020					
Trade and other payables	11	442,357,995	430,625,958	-	11,732,037
Short-term loans	12	498,000,000	-	498,000,000	-
Borrowings	12	3,587,038,714	254,874,408	655,662,884	2,676,501,422
Future interest payable on short-term loans and borrowings		948,571,657	50,254,760	160,717,751	737,599,146
Lease liabilities	22	40,632,828	1,290,560	3,754,358	35,587,910
Future interest payable on lease liabilities		22,605,476	251,777	1,414,154	20,939,545
		5,539,206,670	737,297,463	1,319,549,147	3,482,360,060

The Group expects to settle above financial liabilities in accordance with their contractual maturity.

Historically, maturing obligations are funded by cash flows from operating activities and through short term bank borrowings, as needed, hence, there is no perceived liquidity risks. Long term loans may be obtained only when there is a material capital expenditure.

As at December 31, 2021 and 2020, the Group has undrawn credit lines with local banks.

26.6 Capital management

The primary objective of the Group's capital management is to safeguard the Group's ability to continue its operations on a going concern basis in order to provide adequate return to its shareholders and maintain optimal capital structure to reduce cost of capital and lessen the need to obtain long-term borrowings and maximize shareholder value.

The Group manages its capital structure and makes the adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes as at December 31, 2021 and 2020.

The Group monitors capital on the basis of the carrying amount of equity as presented in the face of the consolidated statements of financial position.

As at December 31, the Group's debt-to-equity ratio is calculated as follows:

	2021	2020
Total debt	4,786,070,651	4,617,974,452
Total equity	1,246,264,055	1,156,591,120
Debt-to-equity ratio	3.84	3.99:1

As at December 31, 2020, the Parent Company has not complied with certain financial ratios including debt to equity and debt service cover ratio that resulted in the reclass of a portion of loans to current.

The Group computes its total debt as at December 31 as follows:

	Notes	2021	2020
Trade and other payables	11	654,029,867	486,650,080
Short-term loans	12	522,271,500	498,000,000
Borrowings	12	3,571,165,941	3,592,691,544
Lease liabilities	22	38,603,347	40,632,828
		4,786,070,655	4,617,974,452

The Group computes its total equity as at December 31 as follows:

	Notes	2021	2020
Share capital	13	907,857,870	907,857,870
Additional paid-in capital	13	121,632,762	121,632,762
Retained earnings (deficit) attributable to the owners of Parent Company		(32,194,999)	93,971,704
Financial asset at fair value through other comprehensive income		(160,000)	(160,000)
Treasury shares		(37,614,990)	(37,614,990)
Revaluation surplus, net of tax	6	286,743,411	70,903,774
		1,246,264,054	1,156,591,120

As part of the reforms of the PSE to expand capital market and improve transparency among listed firms, PSE has required listed entities to maintain a minimum of fifteen percent (15%) of their listed issued and outstanding shares to be held by public. The Group is compliant with respect to this requirement as at December 31, 2021 and 2020.

Note 27 - Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

27.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). The term PFRS, in general, includes all applicable PFRS, Philippine Accounting Standards (PAS), and interpretations of the Philippine Interpretations Committee (PIC), Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the Financial Reporting Standards Council (FRSC) and adopted by the SEC.

These consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of property and equipment - tugboats and fair value measurement of financial assets at fair value through other comprehensive income.

The preparation of consolidated financial statements in conformity with PFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are summarized in Note 26.

Changes in accounting policy and disclosures

(a) New accounting standards adopted by the company

There are a number of new accounting standards, amendments and interpretations that have been published that are mandatory for December 31, 2021 reporting periods.

- *Interest Rate Benchmark Reform Phase 2 - Amendments to PFRS 9 , PAS 39, PFRS 7, PFRS 4 and PFRS 16 (effective January 1, 2021)*

  In August 2020, the IASB made amendments to PFRS 9, PAS 39, PFRS 7, PFRS 4 and PFRS 16 to address the issues that arise during the reform of an interest rate benchmark rate, including the replacement of one benchmark with an alternative one.

  The Phase 2 amendments provide the following reliefs:

  - When changing the basis for determining contractual cash flows for financial assets and liabilities (including lease liabilities), the reliefs have the effect that the changes, that are necessary as a direct consequence of IBOR reform and which are considered economically equivalent, will not result in an immediate gain or loss in the income statement.
  - The hedge accounting reliefs will allow most PAS 39 or PFRS 9 hedge relationships that are directly affected by IBOR reform to continue. However, additional ineffectiveness might need to be recorded.

Affected entities need to disclose information about the nature and extent of risks arising from IBOR reform to which the entity is exposed, how the entity manages those risks, and the entity's progress in completing the transition to alternative benchmark rates and how it is managing that transition. Given the pervasive nature of IBOR-based contracts, the reliefs could affect companies in all industries.

- *Covid-19-related Rent Concessions - Amendments to PFRS 16 (effective June 1, 2020)*

  As a result of the COVID-19 pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. In May 2020, the IASB made an amendment to PFRS 16 Leases which provides lessees with an option to treat qualifying rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concessions as variable lease payments in the period in which they are granted. The Group has no lease concessions as at December 31, 2021.

None of these standards, amendments and interpretations have a significant impact on the Group's financial statements.

(b) New standards, amendments to existing standards and interpretations not yet adopted

There are new PFRS, interpretation, amendments and annual improvements to existing standards effective for annual periods subsequent to 2021. Management will adopt the following relevant pronouncements in accordance with their transitional provisions. None of those standards are expected to have a significant impact on the financial statements of the Group, but the more relevant ones are set out below:

- *Classification of Liabilities as Current or Non-current - Amendments to PAS 1 (January 1, 2023)*

  The narrow-scope amendments to PAS 1 Presentation of Financial Statements clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g. the receipt of a waver or a breach of covenant). The amendments also clarify what PAS 1 means when it refers to the 'settlement' of a liability.

  The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity.

  They must be applied retrospectively in accordance with the normal requirements in PAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

- *Property, Plant and Equipment: Proceeds before intended use - Amendments to PAS 16 (January 1, 2022)*

  The amendment to PAS 16 Property, Plant and Equipment (PP&E) prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment.

  Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities.

- *Reference to the Conceptual Framework - Amendments to PFRS 3 (January 1, 2022)*

  Minor amendments were made to PFRS 3 Business Combinations to update the references to the Conceptual Framework for Financial Reporting and add an exception for the recognition of liabilities and contingent liabilities within the scope of PAS 37 Provisions, Contingent Liabilities and Contingent Assets and Interpretation 21 Levies. The amendments also confirm that contingent assets should not be recognised at the acquisition date.

- *Annual Improvements to PFRS Standards 2018 - 2020 (January 1, 2022)*

  The following improvements were finalised in May 2020:
  - PFRS 9 Financial Instruments - clarifies which fees should be included in the 10% test for derecognition of financial liabilities.
  - PFRS 16 Leases - amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives.
  - PFRS 1 First-time Adoption of PFRS - allows entities that have measured their assets and liabilities at carrying amounts recorded in their parent's books to also measure any cumulative translation differences using the amounts reported by the parent. This amendment will also apply to associates and joint ventures that have taken the same PFRS 1 exemption.

- *Disclosure of Accounting Policies - Amendments to PAS 1 and PFRS Practice Statement 2 (effective January 1, 2023)*

  The IASB amended PAS 1 to require entities to disclose their *material* rather than their significant accounting policies. The amendments define what is 'material accounting policy information' and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information.

  To support this amendment, the IASB also amended PFRS Practice Statement 2 Making Materiality Judgements to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

- *Definition of Accounting Estimates - Amendments to PAS 8 (effective January 1, 2023)*

  The amendment to PAS 8 Accounting Policies, Changes in Accounting Estimates and Errors clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, but changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period.

- *Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to PAS 12 (effective January 1, 2023)*

  The amendments to PAS 12 *Income Taxes* require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations and will require the recognition of additional deferred tax assets and liabilities.

The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognise deferred tax assets (to the extent that it is probable that they can be utilised) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with:

- right-of-use assets and lease liabilities, and
- decommissioning, restoration and similar liabilities, and the corresponding amounts recognised as part of the cost of the related assets.

The cumulative effect of recognising these adjustments is recognised in retained earnings, or another component of equity, as appropriate. PAS 12 did not previously address how to account for the tax effects of on-balance sheet leases and similar transactions and various approaches were considered acceptable. Some entities may have already accounted for such transactions consistent with the new requirements. These entities will not be affected by the amendments.

None of these standards are expected to have a significant impact on the financial statements of the Group.

27.2 Consolidation

(a) Business combination

The Group applies the purchase or acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with PFRS 9 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is not accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

(b) Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has a right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The subsidiary is fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date the control ceases.

Intercompany transactions, balances and unrealized gain on transactions between Parent Company and its subsidiaries are eliminated.

When the Group ceases to have control, any retained interest in the subsidiary is re-measured to its fair value at the date when control is lost, with the change in carrying amount generally recognized in profit or loss. The fair value is the initial carrying amount for purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

If the Group surrenders control to a related party within the Group it ultimately belongs, the difference between the consideration received and the fair value of the subsidiary at divestment date, is recognized within equity.

(c) Associate

An associate is an entity over which the Group is able to exert significant influence, but which is neither a subsidiary nor a joint venture. Investment in associate is initially recognized at cost and subsequently accounted for using the equity method.

Under the equity method, the carrying amount of the investment in associate is increased or decreased to recognize the Group's share of the net earnings (losses) and other comprehensive income of the associates after the date of acquisition. The Group's share in the net earnings (losses) and other comprehensive income of the associates is recognized in the Group's profit or loss. Items that have been directly recognized in the associates' equity are recognized in equity of the Group. Distributions received from the associates reduce the carrying amount of the investment.

If the Group's share in net losses of associates equals or exceeds its interest in the associates, the Group will discontinue recognizing its share of further losses. The interest in an associate is the carrying amount of the investment in the associate under the equity method together with any long-term interests that, in substance, form part of the Group's net investment in the associate.

After the Group's interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognizing its share of those net earnings only after its share of the earnings equals the share of losses not recognized.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount adjacent to 'share of profit (loss) of an associate' in profit or loss.

Investment in associate is derecognized when the risk and rewards of ownership have been transferred or extinguished. When the investment in associate is derecognized, its cost and related impairment, if any, are eliminated from the accounts.

27.3 Goodwill

Goodwill is initially measured as the excess of the aggregate of the consideration transferred (including the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquire) over the fair value of the Group's share of the identifiable net assets acquired. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, in the case of a bargain purchase, the difference is recognized directly in profit or loss.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units (CGUs), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognized immediately as an expense and is not subsequently reversed.

27.4 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, deposits held at call with banks and other short-term, highly liquid investments with original maturities of three months or less from date of acquisition. Deposits held at call with banks earn interest at the prevailing bank interest rate. These are carried at amortized cost.

27.5 Investments and other financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity of another entity. The Group recognizes a financial instrument in the consolidated statements of financial position, when and only when, the Group becomes a party to the contractual provisions of the instrument.

Financial assets

(a) Classification

The Group classifies its financial assets in the following categories:

- those to be measured subsequently at fair value (either through other comprehensive income (OCI) or through profit or loss), and
- those to be measured at amortized cost

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. The Group only holds financial assets classified as financial assets at amortized cost as at December 31, 2021 and 2020 which comprise cash and cash equivalents (Note 27.4), trade and other receivables (Note 27.8), advances to related parties (Note 27.28), financial assets at fair value through other comprehensive income and refundable deposits in the consolidated statements of financial position.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value.

Subsequent to initial recognition, measurement depends on the Group's business model for managing the asset and cash flow characteristic of the asset. For financial assets at amortized cost, interest income, if any, from these financial assets is included within other income in the statement of total comprehensive income using the effective interest rate method. Impairment losses are presented as separate line item in profit or loss.

Where the Group's management has elected to present fair value gains and losses on investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss when the Group's right to receive payments is established.

(d) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Impairment loss is recognized in profit or loss and the carrying amount of the asset is reduced through the use of an allowance. The Group applies the ECL model to measure the impairment for all financial assets at FVOCI and at amortized costs.

The Group calculates the allowance for credit losses by considering on a discounted basis the cash shortfalls it would incur in various default scenarios for prescribed future periods and multiplying the shortfalls by the probability of each scenario occurring. ECL are measured through an allowance at an amount equal to:

- the 12-month ECL (that result from those default events on the financial instrument that are possible within 12 months after the reporting date); or
- full lifetime ECL (that result from all possible default events over the life of the financial instrument).

<u>Financial liabilities</u>

(a) Classification

The Group classifies its financial liabilities in the following categories: financial liabilities at fair value through profit or loss (including financial liabilities held for trading and those that designated at fair value); and other financial liabilities. As at December 31, 2021 and 2020, the Group's financial liabilities are limited to other financial liabilities at amortized cost.

The Group's trade and other payables (excluding payable to government agencies, unliquidated expenses and unearned income) (Note 27.14), advances from related parties (Note 27.28), short-term loans and borrowings (Note 27.16), lease liabilities (Note 27.26) are classified under other financial liabilities at amortized cost (Note 27.15).

Issued financial instruments or their components, which are not designated at fair value through profit or loss, are classified as other financial liabilities, where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder. Other financial liabilities include accrued expenses. These are included in current liabilities except for maturities greater than 12 months after the reporting period which are classified as non-current liabilities.

(b) Initial recognition and derecognition

Financial liabilities are initially recognized at fair value of the consideration received plus directly attributable transaction costs. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

(c) Subsequent measurement

Other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate.

27.6 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

The Parent Company has the right to offset intercompany payables and receivables as at December 31, 2021. Total intercompany receivables offset against payables amounts to P64,388,861 in 2021 (2020 - P72,798,902).

27.7 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Group classifies its fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.

The fair value of assets and liabilities that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the asset or liability is included in Level 2.

If one or more of the significant inputs is not based on observable market data, the asset or liability is included in Level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

The Group's financial asset at FVOCI with quoted market price is valued using Level 1 of the fair value hierarchy.

The Group has no other significant financial assets and liabilities carried at fair value.

The carrying amount of significant financial assets and liabilities, except borrowings (Note 27.5) and lease liabilities (Note 27.26) approximates their fair value as the impact of discounting is not considered significant considering that the remaining significant financial assets and liabilities generally have short term maturity.

For non-financial assets, the Group uses valuation techniques that are appropriate in the circumstances and applies the technique consistently. Commonly used valuation techniques are as follows:

- Market approach - A valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable (i.e., similar) assets, liabilities or a group of assets and liabilities, such as a business.
- Income approach - Valuation techniques that convert future amounts (e.g., cash flows or income and expenses) to a single current (i.e., discounted) amount. The fair value measurement is determined on the basis of the value indicated by current market expectations about those future amounts.
- Cost approach - A valuation technique that reflects the amount that would be required currently to replace the service capacity of an asset (often referred to as current replacement cost).

The Group's tugboats are valued using Level 2 of the fair value hierarchy. The fair value of tugboats were determined using cost approach where valuation performed are based on cost of reproduction of new vessel, accumulated depreciation, character and utility of the vessel (Note 6).

The Group determines the fair value of its investment properties, which is carried at cost (Note 9), using Level 2 of the fair value hierarchy by direct comparison approach with reference to open market of similar properties with consideration of the location, property size, physical features and economic factors.

The Group has no other significant non-financial assets and liabilities carried at fair value.

27.8 Trade and other receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less, these are classified as current assets. If not, these are presented as non-current assets.

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using effective interest method, less provision for impairment.

The carrying amount of the receivable is reduced through the use of an allowance account, and the amount of loss is recognized as net impairment losses on financial assets in the statements of total comprehensive income. When a receivable remains uncollectible after the Group has exerted all legal remedies, it is written off against the allowance account for receivables. If in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in profit or loss.

Reversal of previously recorded impairment provision are based on the result of management's update assessment, considering the available facts and changes in circumstances, including but not limited to results of recent discussions and arrangements entered into with customers as to the recoverability of receivables at the end of the reporting period. When a receivable remains uncollectible after the Group has exerted all legal remedies, it is written-off against the allowance account for receivables. Subsequent recoveries of the amounts previously written off are credited to general and administrative expenses in profit or loss.

Other relevant policies including impairment on receivables are disclosed in Note 27.5.

27.9 Prepayments and other assets

Prepayments are recognized in the consolidated statement of financial position in the event that payment has been made in advance of obtaining right of access to goods or receipt of services and measured at nominal amounts.

Other assets consist substantially of input value-added taxes (VAT) and leasehold rights.

Input VAT are recognized as assets in the period such input VAT become available as tax credits to the Group and carried over to the extent that it is probable that the benefit will flow to the Group.
A provision for unrecoverable input VAT is established when there is objective evidence that the Group will not be able to recover the claims. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in profit or loss within general and administrative expenses.

Leasehold rights are recognized at cost which approximates purchase price or total consideration. Leasehold rights with definite life are amortized over the period of the contract while leasehold rights that have indefinite life, are carried at cost less impairment, if any.

Prepayments and other assets are included in current assets, except when the related goods or services are expected to be received or rendered more than twelve months after the reporting period which are classified as non-current assets.

Prepayments are derecognized in the consolidated statement of financial position upon receipt of goods or services, through amortization over a certain period of time, and use or consumption.

Input VAT are derecognized when applied against output or when written off.

27.10 Property, plant and equipment

All property, plant and equipment are carried at cost less accumulated depreciation and any impairment except for tugboats which are carried at revalued amounts.

Tugboats are initially recognized at cost. Subsequently, tugboats are carried at revalued amounts, which is the fair value at date of revaluation less any subsequent accumulated depreciation and accumulated impairment losses. The Parent Company engages external, independent and qualified valuers to determine the fair value of the Parent Company's tugboats once every 3-5 years. Increases in the carrying amounts arising on revaluation of tugboats are recognised, net of tax, in other comprehensive income and revaluation surplus, net of tax, in shareholders' equity. To the extent that the increase reverses a decrease previously recognised in profit or loss, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the same asset are first recognised in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to profit or loss.

Each year, the Group transfers from revaluation surplus reserve to retained earnings the difference between the depreciation charges calculated based on the revalued amount and the depreciation charge based on the assets' historical cost.

The profit or loss on disposal of a revalued asset is determined as the difference between the net disposal proceeds and the carrying amount of the asset. On disposal of the revalued asset, the relevant revaluation surplus included in equity is transferred directly to retained earnings.

All other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which these are incurred.

Dry docking cost represents major inspection and overhaul costs and is depreciated to reflect consumption benefits which is to be replaced or restored by the subsequent dry docking generally every two (2) years. The Group has included these dry docking expenses as part of tugboat component.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their costs or revalued amounts to their residual values over their estimated useful lives (in years), as follows:

Tugboats	8 to 26
Barges	10 to 37
Building and building improvements	10
Transportation equipment	5
Construction equipment	5
Diving and oil spill equipment	3 to 5
Furniture, fixtures and leasehold improvements	3 to 4

Construction in-progress is stated at cost. This includes cost of construction and other direct costs. Construction in-progress is not depreciated until such time as the relevant assets are completed and are available for use. Tugboats under construction is classified as "Property, plant and equipment at cost" and subsequently transferred to "Property and equipment at revalued amounts" upon completion.

Leasehold improvements are amortized over the estimated useful life of the improvements, which is shorter than the lease term, considering the renewal option.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 27.13).

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal at which time the cost, appraisal increase and their related accumulated depreciation are removed from the consolidated statement of financial position. Any gains and losses on disposals of an asset as cost are determined by comparing proceeds with carrying amount and are recognized in profit or loss.

27.11 Computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs will be amortized over its estimated useful lives of five (5) years from the start of its use. Costs associated with maintaining computer software programs are recognized as an expense as incurred.

Computer software is derecognized upon disposal or when no future economic benefits are expected from its use or disposal at which time the cost and the related accumulated amortization are removed from the consolidated statement of financial position. Any gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the assets and are recognized in profit or loss.

Relevant disclosures for Group's accounting policies on impairment of computer software are discussed in Note 27.13.

27.12 Investment property

Investment property is recognized as an asset, when it is probable that the future economic benefits that are associated with the investment property will flow to the Group and the cost of the asset can be measured reliably.

Investment properties consist of land in various locations. Land is initially recognized at cost and subsequently carried at cost less any impairment losses. Land is not depreciated.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation and commencement of an operating lease to another party. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sell.

For a transfer from investment property to owner-occupied property or inventories, the deemed cost of property for subsequent accounting is its carrying amount at the date of change in use. If the property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Investment property is derecognized when it has either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal. Gains or loss on derecognition of an investment property is calculated as the difference between any disposal proceeds and the carrying amount of the related asset and is recognized in profit or loss in the year of derecognition.

27.13 Impairment of non-financial assets

Non-financial assets that have an indefinite useful life, such as land, are not subject to amortization and are tested annually for impairment. Other non-financial assets, mainly property, plant and equipment, computer software, investment properties, input VAT, investment in associate and leasehold rights, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Impairment losses, if any, are recognized in profit or loss as part of general and administrative expenses.

When impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount should not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. Reversals of an impairment loss are credited to the provision account in profit or loss.

27.14 Trade and other payables

Trade and other payables are recognized in the period in which the related money, goods or services are received or when a legally enforceable claim against the Group is established or when the corresponding assets or expenses are recognized. These are classified as current liabilities if payment is due within one year or less. If not, these are presented as non-current liabilities.

Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost using effective interest method.

These are derecognized when extinguished or when the obligation is discharged, cancelled, or has expired.

Other relevant policies on trade and other payables are disclosed in Note 27.5.

27.15 Borrowings and borrowing cost

(a) Borrowings

Borrowings are measured initially at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Borrowings are derecognized when the obligation is settled, paid or discharged.

A substantial modification of the terms of an existing financial liability or a part of it shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Where the terms of a financial liability are modified, a gain or loss is recognized in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate. If the modification of the terms of borrowings is accounted for as an extinguishment, any costs or fees incurred are recognized as part of the gain or loss on extinguishment. If the modification of the terms of borrowings is not accounted for as an extinguishment, any cost or fees incurred adjust the carrying amount of the liability and are amortized over the remaining term of the modified liability.

Where the terms of the borrowings are renegotiated, a gain or loss is recognized in the profit or loss, which is measured as the difference between the carrying amount of the financial liability and the

(b) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset, if any, are capitalized during the period of time that is required to complete and prepare the asset for its intended use.

All other borrowing costs are recognized in profit or loss in the period in which these are incurred.

27.16 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognized for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed and derecognized from the consolidated statement of financial position.

27.17 Current and deferred income tax

The tax expense for the year comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax (DIT) is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, DIT is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. DIT is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related DIT asset is realized or the DIT liability is settled.

DIT assets are recognized for all deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

DIT liabilities are recognized in full for all taxable temporary differences, except to the extent that the DIT liability arises from the initial recognition of goodwill. DIT liabilities are provided on taxable temporary differences arising from investments in subsidiaries and associates, except for DIT liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally, the Group is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference not recognized.

DIT assets are recognized on deductible temporary differences arising from investments in subsidiaries and associates only to the extent that it is probable that the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilized.

Specifically, DIT is provided on the temporary difference between the carrying amount of the revalued property, plant and equipment and its tax base. Any taxable temporary difference reflects the tax consequences that would follow from the recovery of the carrying amount of the asset through sale (non-depreciable assets) and through use (depreciable assets), using the tax rate applicable to the taxable amount derived from the sale of a non-depreciable capital or ordinary asset or the tax rate applicable during the years the asset is utilized.

DIT assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the DIT assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

The Group re-assesses at each reporting date the need to recognize a previously unrecognized DIT asset, if any.

DIT assets and liabilities are derecognized when the related temporary difference are realized or settled.

27.18 Employee benefits

The Group provides short-term, retirement and terminal benefits to its employees. The Group did not grant any stock options or share based payments to its officers and employees.

(a) Other short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

(b) Retirement benefit obligations

Defined benefit plans is defined as an amount of retirement benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognized in respect of defined benefit retirement plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, if any. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related retirement obligation.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in unrestricted earnings in the period in which these arise.

Past service costs are recognized immediately in profit or loss.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in personnel cost (Note 18) in profit or loss.

(c) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognizes costs for a restructuring that is within the scope of PAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

27.19 Share capital

Common shares, recognized at par value, are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds, net of tax.

When the shares are issued 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 Group, 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.

Where any member of the Group purchases the Group's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Group's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Group's equity holders.

27.20 Other comprehensive income

Other comprehensive income comprises items of income and expense (including items previously presented under the consolidated statement of changes in equity) that are not recognized in profit or loss for the year in accordance with PFRS.

27.21 Retained earnings (deficit)

Retained earnings (deficit) represent the accumulated profit or loss arising from the operations of the Group and reserves for remeasurement on retirement benefit obligation less any dividends declared by the Parent Company.

Appropriation of retained earnings is recognized based on the provisions of the Corporation Code of the Philippines and by approval of the Parent Company's BOD. The Parent Company's BOD releases retained earnings from the appropriation when the purpose of such appropriation has been completed.

27.22 Dividend distribution

Dividend distribution to the Parent Company's shareholders is recognized as a liability in the consolidated financial statements in the period in which the dividends are approved by the Parent Company's BOD.

27.23 Foreign currency transactions and translation

(a) Functional and presentation currency

Items included in the consolidated financial statements of the Group are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The consolidated financial statements are presented in Philippine Peso, which is the Parent Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into Philippine Peso using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss. All foreign exchange gains and losses except for foreign exchange loss on borrowings are presented in profit or loss within other income (expense), net. Foreign exchange gains and losses from borrowings are presented as part of finance cost in profit or loss.

(c) Subsidiary

The results and financial position of the subsidiary, (which has no currency of a hyperinflationary economy), that has a functional currency different from the presentation currency are translated into the presentation currency as follows:

i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the reporting date;
ii) Income and expenses for each statement of income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
iii) All resulting exchange differences are recognized as cumulative translation differences as a separate line item under equity.

As at December 31, 2021, cumulative loss on translation differences recognized in equity amounted to P7,874,394 (2020 - P6,580,388).

27.24 Revenue recognition

Revenue is measured based on the consideration specified in a contract with customer. The Group recognizes revenue when it transfers control over service to a customer.

(a) Sale of services

The Group provides (i) harbor assistance, (ii) lighterage services (iii) towing services and (iv) salvage income. These services are provided on a time-basis or as a fixed-price contract, net of any subsequent discounts. Discounts are considered as part of the transaction price when granting such is highly probable. Contract terms of services are generally range from less than a year. Revenue from providing services is recognized in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognized based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously.

(b) Revenue on generation and sale of solar energy

The Group is engaged in the generation and sale of solar energy. Revenue is recognized monthly based on the transmission of solar energy to its sole customer. Revenue is recognized when the solar energy is delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. Revenue is also recognized based on the price agreed with the costumer and is only recognized to the extent that it is probably that a significant reversal will not occur. No element of financing is deemed present as the sale are made with a credit of ten (10) to 15 days.

(c) Revenue/Income on construction contracts

A construction contract is a contract specifically negotiated for the construction of an asset or combination of assets that are closely interrelated or interdependent in terms of their design and function or their ultimate purpose or use.

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognized over the period of the contract by reference to the stage of completion. Contract costs are recognized as expenses by reference to the stage of completion of the contract activity at the end of the accounting period.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable. Variations in contract work, claims and incentive payments are included in contract revenue to the extent that may have been agreed with the customer and are capable of being reliably measured.

The Group uses the 'percentage of completion method' to determine the appropriate amount to recognize in a given period. The stage of completion is measured by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. These are presented as inventories, prepayments or other assets, depending on their nature.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized immediately in profit or loss as part of cost of construction contracts, with a corresponding credit to allowance. The amount of such loss is determined irrespective of whether or not work has commenced on the contract, the stage of completion of contract activity, or the amount of profits expected to arise on other contracts, which are not treated as a single construction contract.

Changes in contract performance, contract conditions and estimated profitability, including those arising from contract penalty provisions and final contract settlements which may result in revisions to estimated costs and gross margins will be recognized in the year in which the changes are determined.

Progress payments received under the construction contracts are deducted from contract assets as the contract is completed. Progress payments received before corresponding work has been performed (or in excess of percentage of completion) are presented as advances from customers under trade and other payable in the consolidated statement of financial position.

The Group recognizes on a net and gross basis when it satisfies its promise to facilitate the service over a period of time when it is not a principal in a contract and acting as the principal in a contract, respectively. The Group is not the principal for construction contracts, wherein the Group does not control the service before it is transferred to a customer and the Group is also is not solely responsible for the service and discretion in establishing contract prices.

(d) Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

(e) Contract assets and liabilities

Lighterage services are normally billed to the customer one month in advance. The customer pays the fixed amount based on the billing. If the performance obligations fulfilled by the Group exceed the total payments received to date, a contract asset is recognized. If the total payments received to date exceed the performance obligation fulfilled, a contract liability is recognized and is presented as unearned revenue. The contract assets are transferred to receivables when the Group's rights to the contract consideration become unconditional. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Other income

(a) Interest income

Interest income is recognized in profit or loss on a time-proportion basis using the effective interest method. Interest income from cash in banks and short-term placements is presented net of final taxes paid and withheld.

(b) Dividend income

Dividend income is recognized in profit or loss when the right to receive payment is established.

27.25 Costs and expenses

Costs and expenses are recognized:

(a) on the basis of a direct association between the costs incurred and the earning of specific items of income;
(b) on the basis of systematic and rational allocation procedures (i.e. when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined); or
(c) immediately and as incurred (i.e. when an expenditure produces no future economic benefits or when, and to the extent that future economic benefits do not qualify, or cease to qualify, for recognition in the consolidated statement of financial position).

Costs and expenses are presented in the profit or loss according to their function.

27.26 Leases where Group is a lessee

Assets and liabilities arising from a lease are initially measured on a present value basis. The interest expense is recognized in the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is amortized over the shorter of the asset's useful life and the lease term on a straight-line basis.

(a) Measurement of lease liabilities

Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for the Group's leases, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received,
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held for entities which do not have recent third party financing, and
- makes adjustments specific to the lease (i.e. term, currency and security).

Lease payments are allocated between principal and interest expense. The interest expense is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

(b) Measurement of right-of-use assets

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally amortized over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use assets are amortized over the underlying asset's useful life.

(c) Extension and termination options

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is revised only if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

(d) Short-term leases and leases of low-value assets

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in the profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

27.27 Earnings per share

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Parent Company by the weighted average number of common shares in issue during the year, excluding common shares purchased by the Parent Company and held as treasury shares. In a capitalisation or bonus issue or a share split, common shares are issued to existing shareholders for no additional consideration. Therefore, the number of common shares outstanding is increased without an increase in resources. The number of common shares outstanding before the event is adjusted for the proportionate change in the number of common shares outstanding as if the event had occurred at the beginning of the earliest period presented.

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of common shares outstanding to assume conversion of all dilutive potential common shares. The Parent Company has two possible categories of dilutive potential common shares: convertible debt and share options. The Parent Company has no convertible debt nor share options as at December 31, 2021, 2020 and 2019.

27.28 Related party relationships and transactions

Related party relationship exists when one party has the ability to control, directly, or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationship also exists between and/or among entities which are under common control with the reporting enterprise, or between and/or among the reporting enterprise and its key management personnel, directors, or its shareholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.
Related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

27.29 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Management Committee that makes strategic decisions, under the policies adopted by the BOD.

As at December 31, 2021 and 2020, the Group has two (2) operating business segments which pertains to revenue and related economic activities arising from harbor assistance including those of Jetty construction services and renewable energy. In 2017, the Group started to venture into renewable energy by establishing HSEC and acquiring ADGI, then ADF1 and ADF2 in 2018.

Below are the segments of the Group:

As at and for the year ended December 31, 2021

	Harbor assistance	Renewable energy	Elimination	Total
Revenue	1,607,698,208	301,641,340	-	1,909,339,548
Segment result	109,584,985	4,427,860	(11,031,043)	102,981,802
Share in net profit of associate	20,278,057	-	-	20,278,057
Finance costs	(168,382,240)	(101,679,434)	-	(270,061,674)
Income tax expense	(11,209,506)	-	-	(11,209,506)
Loss for the year	(49,728,704)	(97,251,574)	(11,031,043)	(158,011,321)
Segment assets	4,913,775,959	2,907,718,566	(1,612,248,752)	6,209,245,773
Segment liabilities	(3,504,820,722)	(2,957,786,784)	1,512,281,393	(4,950,326,113)
Capital expenditures	272,037,935	53,304	-	272,091,239
Depreciation and amortization	347,834,822	90,224,517	-	438,059,339
Non-cash expenses other than depreciation and amortization	-	-	-	-

As at and for the year ended December 31, 2020

	Harbor assistance	Renewable energy	Elimination	Total
Revenue	1,377,142,931	305,407,480	-	1,682,550,411
Segment result	27,522,634	79,199,554	(776,962)	105,945,226
Share in net profit of associate	82,309,037	-	-	82,309,037
Finance costs	(183,104,891)	(91,600,971)	-	(274,705,862)
Income tax benefit	1,521,629	-	-	1,521,629
Loss for the year	(71,751,591)	(12,401,417)	(776,962)	(84,929,970)
Segment assets	4,757,347,127	2,758,444,752	(1,601,780,347)	5,914,011,532
Segment liabilities	(3,531,937,586)	(2,711,261,391)	1,492,565,974	(4,750,633,003)
Capital expenditures	77,400,444	74,643	-	77,475,087
Depreciation and amortization	366,369,722	88,569,377	(8,232,535)	446,706,564
Non-cash expenses other than depreciation and amortization	-	-	-	-

27.30 Reclassification

Advances from related parties amounting to P700,000 for the year ended December 31, 2020 was reclassified from trade payables, net of current portion in the consolidated statement of financial position to align with current year presentation. The reclassification did not impact previously reported net income, retained earnings and cash flows, thus no third balance sheet was presented.

Note 28 - Impact of Coronavirus disease (Covid-19)

Subsequent to the outbreak of the Coronavirus Disease 2019 ("COVID-19 pandemic") in early 2020, a series of measures to curb the COVID-19 outbreak has been and continues to be implemented in countries where the Group and its related parties operates. The Group has taken appropriate measures to preserve the health and safety of its employees and stakeholders as well as the business operations and in compliance with government mandated issuances and regulations.

The pandemic has resulted in limited operations of the TUG's business as a result of government-imposed restrictions in the country starting March 17, 2020 leading to a slow down of the Group's service income. In 2021, recovery was seen as government-imposed restrictions were slowly lifted. Service income has improved in 2021 as compared to 2020. However, the quarantine restrictions brought about by the pandemic continue to affect the capacity of customers to pay their outstanding balances and thereby increasing the number of overdue accounts. This led to the increase in the recognition of net impairment of trade receivables amounting to P99.7 million in 2021. The Group also entered into loan restructuring agreements with a local banks.

All the customers are operational as of this writing, and management continues to monitor and improve collections. Despite operations beginning to normalize during the third quarter of the year, the Group's operations in 2021 still resulted in a net loss of P158.0 million.

It is currently difficult to determine what the ultimate magnitude of the pandemic will be and what will be its effects on the Company's financials. This will depend, among other things, on the further spread of the virus, the inoculation and effectiveness of vaccination, and how long the restrictive measures adopted by the government will be kept in place.

The Group is closely monitoring the status of the COVID-19 pandemic and its continuing impact on its business operations. Nonetheless, management has appropriately considered the impact of the pandemic in determining the recoverability of its assets and sufficiency of provisions as at December 31, 2021 and along with this, will continue to address the issues that directly affect its business operations and is optimistic and expects that the COVID-19 pandemic would not have a significant long-term impact on the Group's financials.

SECOND SECTION

Second Section

Schedules	Supplementary Schedules	Remarks
A	Financial Assets	Schedule A
B	Amounts Receivable and Payable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related parties)	Schedule B
C	Amounts Receivable and Payable from Related Parties which are eliminated during the consolidation of financial statements	Schedule C
D	Long-term Debt	Schedule D
E	Indebtedness to Related Parties	Schedule E
F	Guarantees of Securities of Other Issuers	Schedule F
G	Share Capital	Schedule G
Annex 68-C	Reconciliation of Parent Company's Retained Earnings Available for Dividend Declaration	Annex 68-C
Annex 68-H	A Map Showing the Relationship between and among the Parent Company and its Ultimate Parent Company, Middle Parent, Subsidiaries or Co-subsidiaries and Associate	Annex 68-H
	Schedule of Financial Soundness Indicator	

SCHEDULE A

Harbor Star Shipping Services, Inc. and Subsidiaries

Financial Assets
December 31, 2021

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	Value based on market quotations at end of reporting period	Income received and accrued
Financial assets at amortized cost				
Cash on hand and in banks	-	263,963,505	-	108,971
Trade and other receivables	-	1,065,929,590	-	-
Refundable deposits	-	4,010,369	-	-
	-	1,333,903,464	-	108,971
Financial asset at fair value through other comprehensive income				
Investment in BDO Short Term Fund	8,998	1,006,198	-	-
Investment in golf shares- Rancho Palos Verdes Golf and Country Club	-	810,000	-	-
Total	8,998	1,335,719,662	-	108,971

SCHEDULE B

Harbor Star Shipping Services, Inc. and Subsidiaries

Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders
(Other than Related Parties)
December 31, 2021
(All amounts in Philippine Pesos)

Name of designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written-off	Current	Balance at end of the period
Bella, Geronimo Dela Paz (President)	45,266,912	8,272,675	(35,619,535)	-	17,920,052	17,920,052
Bella, Ricardo Rodrigo Dela Paz (Vice President)	31,315,531	5,501,232	(28,022,897)	-	8,793,866	8,793,866
Bella, Virginia May Dela Paz (Corporate Secretary)	-	182,956	(198,800)	-	(15,844)	(15,844)
Caranzo, Lorenzo Cabanlit (Director)	-	3,931,617	(930,905)	-	3,000,712	3,000,712
Refil, Elionarda Liu (Director)	-	399,148	(424,978)	-	(25,830)	(25,830)
Rodriguez, Ignatius Alafriz (Corporate Secretary)	1,343,258	6,044,020	(5,205,789)	-	2,181,489	2,181,489
	77,925,701	24,331,648	(70,402,904)	-	31,854,445	31,854,445

SCHEDULE C

Harbor Star Shipping Services, Inc. and Subsidiaries

Amounts Receivable from Related Parties which are Eliminated
during Consolidation of Financial Statements
December 31, 2021
(All amounts in Philippine Pesos)

Name of designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written-off	Current	Balance at end of the period
Advances to related parties						
Peak Flag SDN BHD	208,088,935	70,273,178	(63,158,058)	-	215,204,055	215,204,055
Astronergy Development Gensan Inc.	321,652,999	32,944,292	(2,187,662)	-	352,409,629	352,409,629
Astronergy Development F1, Inc.	268,820	79,907	-	-	348,727	348,727
Astronergy Development F2, Inc.	268,695	84,611	-	-	353,306	353,306
Harbor Star Subic Corp.	223,772,861	16,807,522	(27,672,537)	-	212,907,846	212,907,846
Harbor Star Energy Corporation	594,054,996	32,552,493	-	-	626,607,489	626,607,489
Harbor Star Construction Corporation	-	525,755	-	-	525,755	525,755
Harbor Star East Asia (Myanmar) Ltd.	1,139,136	2,345,461	(1,219,773)	-	2,264,824	2,264,824
	1,349,246,442	155,613,219	(94,238,030)		1,410,621,631	1,410,621,631

SCHEDULE D

Harbor Star Shipping Services, Inc. and Subsidiaries

Long-term Debt
December 31, 2021

Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption "current portion of long-term debt" in related statement of financial position	Amount shown under caption "long-term debt" in related statement of financial position"	Notes
Bank borrowings	1,584,900,000	1,233,375	1,626,874,758	DBP restructured cash loan, interest at 6.00% per annum, interest and principal amortization payable quarterly starting October 2022, matures on April 19, 2033. Amounts classified as current and non-current portion include balance of premium on loans amounting to P 43,208,133 as a result of debt restructuring during 2021.
Bank borrowings	90,202,784	1,000,000	89,202,784.00	DBP capitalized accrued interest, interest at 6.00% per annum, interest and principal amortization payable quarterly starting October 2022, matures on October 19, 2025.
Bank borrowings	150,000,000	33,600,000	27,600,000	PNB cash loans, interest at 8% per annum, various maturities in 2023
Bank borrowings	320,000,000	53,108,976	28,085,494	AUB cash loan, interest at 7.50% per annum, interest and principal amortization payable quarterly, matures on June 26, 2023
Bank borrowings	4,200,000	295,842	-	CBC cash loans, interest rate of 8.5%, maturity on June 6, 2022
Bank borrowings	750,000,000	18,499,792	455,641,621	CTBC restructured cash loans, interest at 5.25% per annum subject to quarterly repricing, interest and principal amortization payable quarterly starting January 2022, matures on December 2026.
Bank borrowings	6,080,700	868,671	4,126,189	Ambank cash loan, MYR500,000 (or PHP6,080,700) term loan with interest at 6.70% interest and principal amortization payable monthly from initial drawdown, matures in September 2027
Borrowing from financial institution	48,645,600	15,749,797	23,106,481	Orix cash loan, MYR4,000,000 (or PHP48,645,600) term loan with interest at 8.25%, interest and principal amortization payable monthly from initial drawdown, matures in April 2024
Bank borrowings	1,750,000,000	133,500,000	1,055,875,000	RCBC cash loan, interest at 7.50% per annum, interest and principal amortization payable quarterly, matures on July 2025
Bank borrowings	3,048,971	811,607	1,057,914	RCBC car loan, interest rates ranging from 8.26% to 9.22% per annum, interest and principal amortization payable monthly, various maturities from 2022 to 2024
Bank borrowings	906,400	301,395	328,363	SBC car loan, interest at 8.60% per annum, interest and principal amortization payable monthly, matures on December 2023
Bank borrowings	2,981,049	297,882	-	PNB car loan, interest at 9.23% per annum, interest and principal amortization payable monthly, matures on April 2022
Lease liability	43,010,328	4,519,219	8,159,892	DBP Leasing, interest at 6% per annum, for 10 years, matures on September 15, 2024.
	4,753,975,832	263,786,556	3,320,058,496	

**Balance includes premium on debt restructuring amounting to P43,208,133.*

SCHEDULE E

Harbor Star Shipping Services, Inc. and Subsidiaries

Indebtedness to Related Parties
(Long-term Loans from Related Companies)
December 31, 2021

Name of related party	Balance at beginning of period	Balance at end of period
NONE		

SCHEDULE F

Harbor Star Shipping Services, Inc. and Subsidiaries

Guarantees of Securities of Other Issuers
December 31, 2021

Name of issuing entity of securities guaranteed by the Group for which this statement is filed	Title of issue of each class of securities guaranteed	Amount owned by person for which statement is filed	Nature of guarantee
NONE			

SCHEDULE G

Harbor Star Shipping Services, Inc. and Subsidiaries

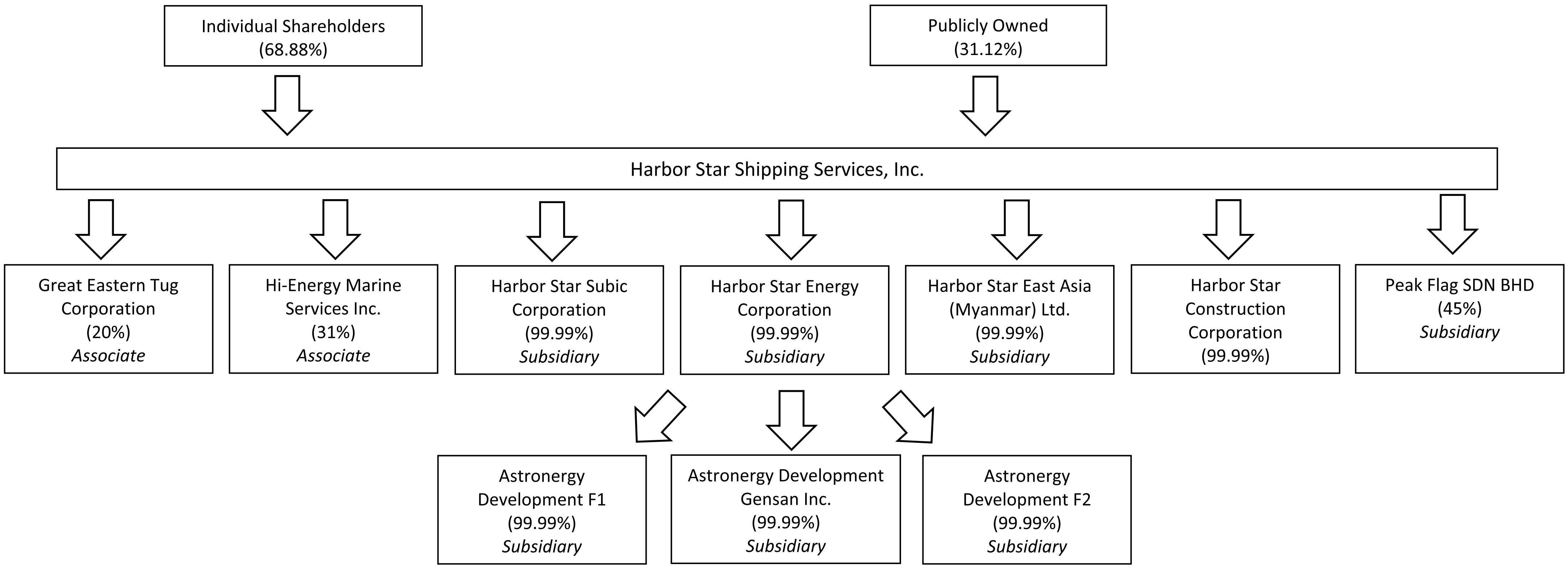
Capital Stock
December 31, 2021

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under statement of financial position caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by		
				Related parties	Directors, officers and employees	Others
Common stock - P1 par value	2,000,000,000	894,586,870	-	-	616,191,436	278,395,434

Annex 68-H

Harbor Star Shipping Services, Inc. and Subsidiaries
2224 A. Bonifacio St., and Pres. Sergio Osmeña
Bangkal, Makati City

A Map Showing the Relationships between and among the Parent Company and its Subsidiaries and Associates
December 31, 2021



Harbor Star Shipping Services, Inc. and Subsidiaries

Schedule of Financial Soundness Indicator
December 31, 2021 and 2020

Ratio	Formula	2021	2020	2019
Current ratio	Current assets / Current liabilities	1.06:1	0.40:1	0.40:1
Acid test ratio	Cash and cash equivalents+ Trade and other receivables, net+ Advances to a related party / Current liabilities	0.85:1	0.31:1	0.22:1
Solvency ratio	Total assets / Total liabilities	1.25	1.24	1.25
Debt to equity ratio	Total debt / Total equity	3.84:1	3.99:1	3.81:1
Asset-to-equity ratio	Total assets / Total equity	4.93	5.08	4.93
Interest coverage ratio	Operating income (loss) / Interest expense	0.38	0.39	(0.62)
Loss on average equity (%)*	Loss / Average issued and outstanding shares	(17.66%)	(9.49%)	(41.82%)
Loss on average assets (%)*	Loss / Average total assets	(2.61%)	(1.41%)	(7.00%)
Net loss attributable to majority shareholders (% to Sales)	Net loss attributable to majority shareholders / Net sales	(8.73%)	(5.90%)	(26.50%)

**Attributable to majority shareholders*

Annex 68-C

Harbor Star Shipping Services, Inc. and Subsidiaries
2224 A. Bonifacio St., and Pres. Sergio Osmeña
Bangkal, Makati City

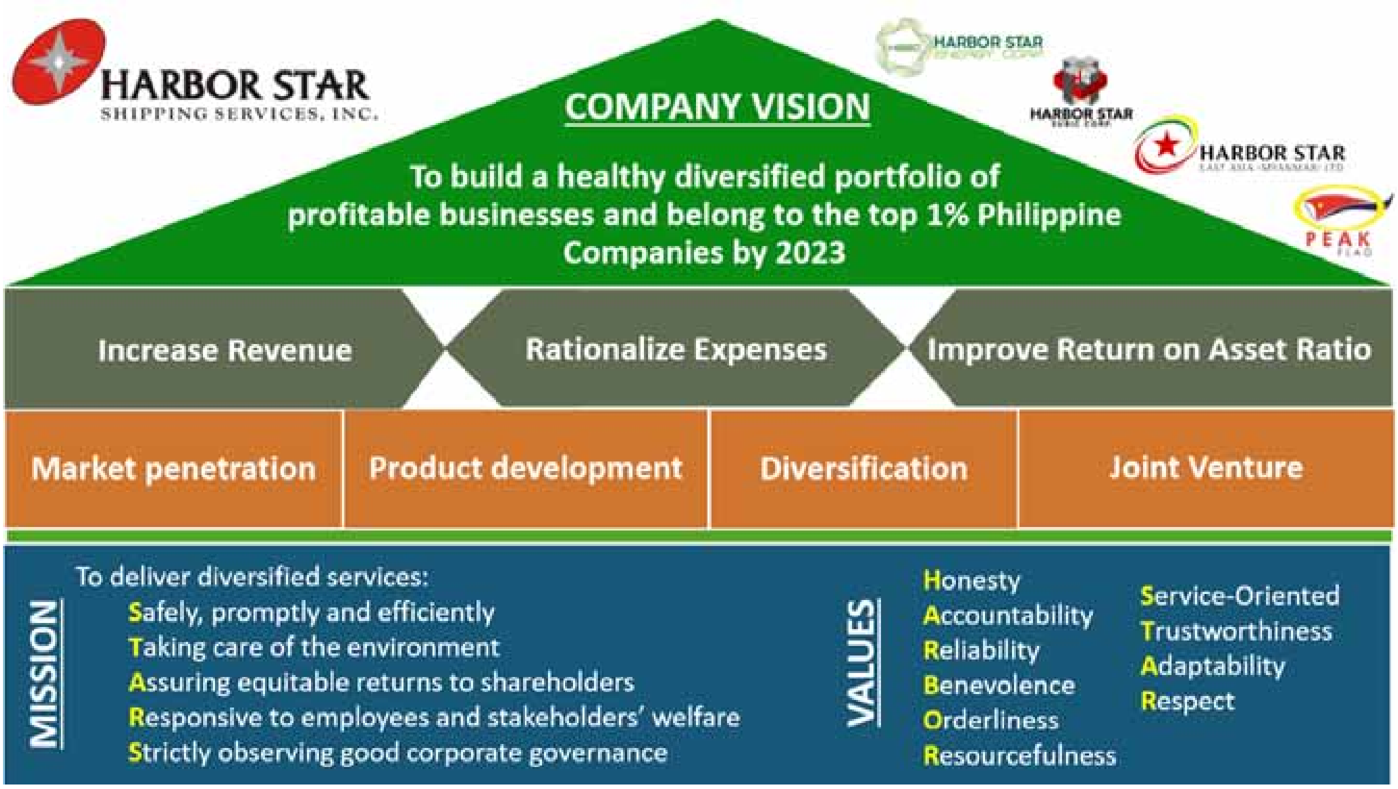
Reconciliation of Parent Company's Retained Earnings Available for Dividend Declaration
For the year ended December 31, 2021
(All amounts in Philippine Peso)

Unappropriated retained earnings available for dividend distribution, unadjusted, January 1, 2021			151,570,272
Adjustments: Accumulated remeasurements on retirement benefit, net of tax			(1,207,905)
Unappropriated retained earnings available for dividend distribution, as adjusted, January 1, 2021			150,362,367
Net loss based on the face of the audited financial statements		(103,309,880)	
Less:	**Non-actual/unrealized income net of tax**		
	Equity in net income of associate/joint venture	-	
	Unrealized foreign exchange gain - net (except those attributable to cash)	-	
	Unrealized actuarial gain	-	
	Fair value adjustment (M2M gains)	-	
	Fair value adjustment of Investment Property resulting to gain	-	
	Adjustment due to deviation from PFRS/GAAP-gain	-	
	Other unrealized gains (losses) or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	-	
Add:	**Non-actual losses**		
	Depreciation on revaluation increment (after tax)	11,865,522	
	Adjustment due to deviation from PFRS/GAAP - loss	-	
	Loss on fair value adjustment of available-for sale financial assets (after tax)	-	11,865,522
Profit (loss) actually earned/realized during the year			(91,444,358)
Add:	**Release of retained earnings appropriation**		-
Less:	**Treasury shares**		
	Stock dividends declared during the year		-
	Cash dividends declared during the year		-
Unappropriated retained earnings, as adjusted, December 31, 2021			58,918,009

Harbor Star Shipping Services, Inc.
Sustainability Report

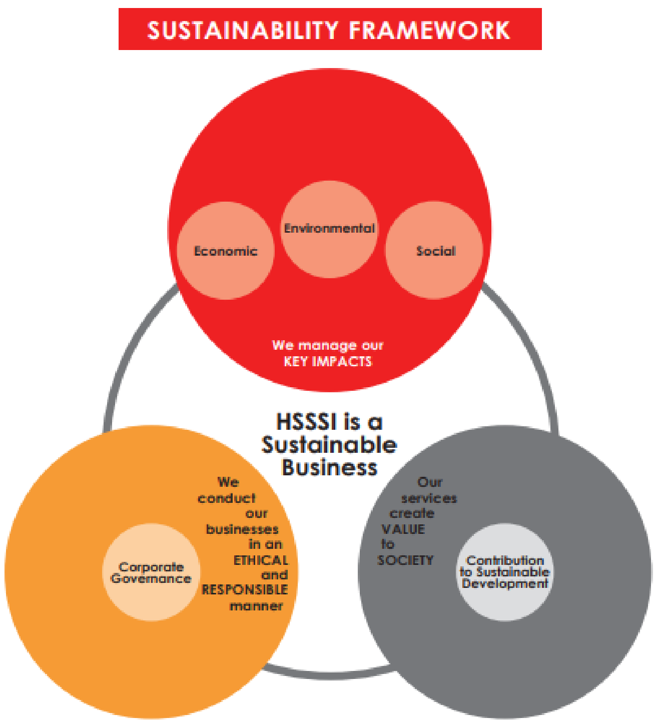
This report has been prepared in accordance with the GRI Standards: Core Option. It covers the period of January to December 2021. ***(102-48, 102-49, 102-54)***

Mission, Vision and Values



Sustainability Framework

This sustainability framework is crafted for PLCs operating in the Philippines. It is a systematic approach that serves as our guidelines to manage our issues and improve our business practices in achieving the company's sustainability.



Material Topics and Boundaries

(102-46, 102-47)

In identifying the materiality of the topics to be included in the report, we have involved the department heads by providing them a risk assessment form to identify the stakeholders and its significant issues that reasonably have adverse and beneficial impacts to the origination's economic, environmental, and social or those that can influence the decisions of the stakeholders. After collating the contextual issues, top management conducted several dialogues to finalize which topics are considered significant. *(102-46)*

	Business Economic Performance	Value for Customers	Employee Engagement	Employee Well-being	Environment Protection	Workplace Safety and Health	Compliance to International Standard	Fleet Management
Metric	Direct economic value generated Direct economic value distributed	Market Share	Attrition Rate	Attrition Rate	Compliance monitoring GHG footprint	Accident Frequency Rate Lost Time Injury Rate	IMS certification	Fleet Efficiency
Management Approach	Increase Revenue by means of business diversification, joint venture, market penetration, product development Rationalize expenses	Establish transparent and good relationship with the customers. Continuous improvement of services based on the customer's feedback. ISO 9001:2015 Certification	Employee Code of Conduct Established HR Policies Established salary structure per position Performance Evaluation Training Plan and Matrix Compliance with General Labor Law Compliance	Mental Health Policy and Programs Family Welfare Programs	Compliance to environmental laws and regulations ISO 14001: 2015 Certification Establish an Energy Conservation (ENERCON) Committee to identify, monitor and, implement environmental programs related to energy consumption. CSR: Mangrove Planting Implement Preventive Maintenance System (PMS)	Compliance with Occupational Health and Safety (OSH) Standard Developing interdependent culture of safety ISO 45001 Certification Established and ensure compliance of employees to COVID-19 Pandemic Policy	Maintain the IMS Certification (ISO 9001, ISO 14001, and ISO 45001)	Preventive Maintenance System

Stakeholder Engagement

(102-40, 102-42, 102-43, 102-44)

STAKEHOLDER ENGAGEMENT					
Item	Stakeholder Groups *(102-40)*	Name of the Stakeholders	Relevance to the Organization *(102-42)*	Topics / Concerns Raised *(102-44)*	Approach to Stakeholder Engagement *(102-43)*
1	Employees	All employees	Workforce/manpower that helps the company meets vision, mission, and strategic objectives.	1. Benefits and compensation 2. Occupational Safety & Health 3. Training & Development 4. Employee Welfare 5. Performance Evaluation 6. Corporate Social Responsibility (CSR) 7. General Labor Law Compliance Obligation 8. Marine Environment Protection 9. COVID-19 response	100% compliance to Occupational Safety & Health Standard; General Labor Standard; Environmental Laws Provision of internal and external training based on the Training Needs Analysis (TNA) Involvement of all employees in CSR activities. COVID-19 Pandemic Policy
2	Clients or Customers	Vessel owners / Port Operators	Patrons of HSSSI operations	1. Value for Customers	1. Client call 2. Customer feedback form 2. Continuous improvement of services
3	Investors	Stockholders	Contribute capital to the business	1. Business economic performance 2. Business strategic plans 3. Sustainable value for stakeholders	1. Annual Stockholder's Meeting
4	Business partners	Suppliers / Service providers / Contractors	Provide resources and services essentials to the operation	1. Value for suppliers	1. Supplier Accreditation and audit 2. Second Party Audit (Supplier's Audit)
		Manning agencies	Provide manpower for an international voyage		1. Contract with the manning agency
		Insurance company	Insured assets	1. Incident/ Accident Reporting	1. Insurance claim process
		ISO Certifying Body	Continuous improvement of the management system performance; Fulfillment of legal requirements and other requirements; Achievement of objectives.	Maintenance of ISO certification	1. Renewal of certification
5	Community	Local community partner in CSR	Helps the company and other stakeholders to be socially accountable	Corporate Social Responsibility (CSR)	1. Quarterly visitation of the partner community
6	Government	Local government regulatory bodies; NGOs	Issuance of permit to operate	Sustainable operation	1. ISO Certification to ensure compliance with legal requirements 2. Attend Conferences
7	Trade Organization	International and Local Trade Unions	Compliance to international standards To get more clients	Compliance with the requirements	1. Renewal of membership 2. Ensure compliance with the requirements

BUSINESS ECONOMIC PERFORMANCE

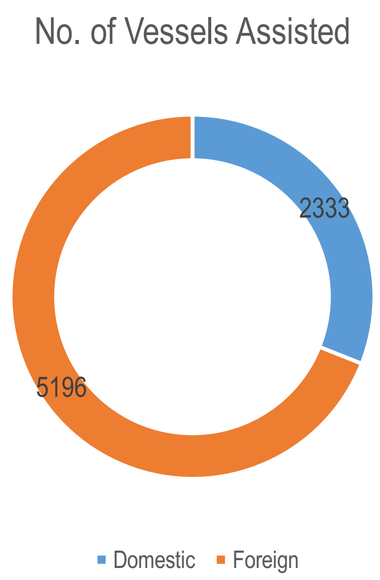
Economic Performance

***Direct Economic Value Generated and Distributed** (201-1)*		
Disclosure	Amount	Units
Direct economic value generated (revenue)	1,909,339,548	PhP
Direct economic value distributed:		
a. Operating costs	1,702,875,530	PhP
b. Employee wages and benefits	370,912,847	PhP
c. Payments to suppliers, other operating costs	890,953,408	Php
d. Dividends given to stockholders and interest payments to loan providers	270,326,344	PhP
e. Taxes given to government	11,209,506	PhP
f. Investments to community (e.g. donations, CSR)	161,500	PhP

VALUE FOR CUSTOMER

Harbor Star is committed to delivering quality service that meets customer requirements. The company continues to maintain its ISO certifications to ensure compliance with legal and other requirements and ensure continuous improvements of its system towards operational excellence.

As of 31 December 2021, Harbor Star services has approximately one hundred sixty-eight (168) ports within the Philippines, of which twelve (12) are base or hub ports. In some of the base, there are a number of sub-ports or privately owned and operated ports that the Company also provides maritime services. There are fifteen (15) sub-ports in Bataan, thirty-three (33) in Batangas, twenty-four (24) in CDO, thirty-eight (38) in Davao, and forty-four (44) in Cebu.



EMPLOYEE ENGAGEMENT AND WELL-BEING

Mental Health Initiatives

The core of every strong organization is its people. Harbor Star subscribes to this and, as such, it has invested time and resources to ensure that the men and women of the company get the support they need, physically and mentally. Thus, Harbor Star actively promotes good health and excellent well-being among its personnel. We strive to achieve a work-life balance among our people giving emphasis on mental health. Mental health -- how they think, feel, and act as they face life's many situations -- is a matter that gets priority from management.

During the time of pandemic, Harbor Star created a Facebook group exclusive for all seafarers and conducted various activities thru zoom and FB live sessions to stay connected with them 24/7. These sessions were done once or twice a week and included fun activities, sharing experiences, and discussion on work and non-work related issues. Additionally, since the pandemic has limitations on face-to-face learning sessions, Harbor Star also used other video conference platforms like Zoom, MS Teams, and others to increase employee awareness. The webinars focused on teaching employees and managers about common mental illness health conditions and reducing the stigma surrounding them. Employees learned to spot the warning signs for cyberbullying, trauma, PTSD, depression/anxiety, and excessive stress in themselves and others.

Currently, we are coming up with a more defined program on mental health which aims to:

- create a workplace environment that promotes the mental well-being of all employees;
- tackle workplace factors that may negatively affect mental well-being, and develop management skills to promote mental well-being and manage mental health problems effectively;
- develop a culture based on trust, support, and mutual respect within the workplace; and
- provide support and assistance for employees experiencing mental health difficulties.

Employee Management

Employee Data *(401-1)*		
Disclosure	**Quantity**	**Units**
Total number of employees		
a. Number of female employees	40	#
b. Number of male employees	567	#
Attrition rate	13	%

Employee Benefits *(401-2)*			
Disclosure	**Y/N**	**% of female employees who availed for the year**	**% of male employees who availed for the year**
SSS	Y	32.5%	12.14%
PhilHealth	Y	12.5%	3.52%
Pag-ibig	Y	25%	21.13%
Parental leaves	Y	5%	2.29%
Vacation leaves	Y	100%	58%
Sick leaves	Y	100%	16%
Medical benefits (aside from PhilHealth)	Y	90%	95.94%
Housing assistance (aside from Pag- ibig)	N		
Retirement fund (aside from SSS)	Y		9%
Further education support	Y	2.5%	.01%
Company stock options	Y	75%	11.11 %
Telecommuting	N		

Flexible-working Hours	Y	75%	51.54 %
Work From Home Arrangement	Y	85%	9.00%

***Employee Training and Development** (404-1)*		
Disclosure	**Quantity**	**Units**
Total training hours provided to employees		
a. Female employees	599	hours
b. Male employees	4,974.50	hours
Average training hours provided to employees		
a. Female employees	14.98	hours/employee
b. Male employees	8.76	hours/employee

***Diversity and Equal Opportunity** (405-1)*		
Disclosure	**Quantity**	**Units**
% of female workers in the workforce	7	%
% of male workers in the workforce	93	%
Number of employees from indigenous communities and/or vulnerable sector*	38 - single parents but no solo parent IDs; 1 HIV	#

Relationship with Community					
***Significant Impacts on Local Communities** (413-1)*					
Operations with significant (positive or negative) impacts on local communities (exclude CSR projects; this has to be business operations)	**Location**	**Vulnerable groups (if applicable)**	**Does the particular operation have impacts on indigenous people (Y/N)?**	**Collective or individual rights that have been identified that or particular concern for the community**	**Mitigating measures (if negative) or enhancement measures (if positive)**
Mangrove Planting	Brgy. Banoyo, San Luis Batangas	Elderly	N	None	Conserves marine resources and protects people living in coastal areas against natural hazards

ENVIRONMENTAL PROTECTION AND SUSTAINABLE OPERATIONS

Harbor Star is committed to complying with environmental rules to protect the marine environment and reduce our carbon footprint to prevent climate change. The organization recognizes its responsibility to protect the environment and the community that may be affected by the adverse effects of climate change and its operations.

Harbor Star, on the other hand, will continue to improve its environmental performance by replacing energy-efficient lighting, such as LED lighting, in all of its workplaces. To save energy, all air conditioning systems and lighting are turned off during breaks and after office hours. The company is implementing shoreline and tug-to-tug links to reduce fuel use. The Energy Conservation Committee (ENERCON) continues to monitor CO_2 emissions and ensure that the 3% reduction objective per tugboat movement is met.

In comparison to 2021, the majority of environmental metrics, including energy consumption, water consumption, fuel consumption, and solid and hazardous waste disposal, have declined.

Resource Management

Energy consumption within the organization *(302-1)*		
Disclosure	**Quantity**	**Units**
Energy consumption (diesel)	302,604.12	GJ
Energy consumption (electricity)	279,718.53	kWh

Water consumption within the organization *(303-3, 303-5)*		
Disclosure	**Quantity**	**Units**
Water withdrawal	28,711.52	cum
Water consumption	28,711.52	cum
Water recycled and reused	0	cum

Hazardous Waste *(306-4)*		
Disclosure	**Quantity**	**Units**
Total weight of hazardous waste generated	3,600	kg
Total weight of hazardous waste transported	3,600	kg

Air Emissions : ***GHG*** *(305-1, 305-2,305-6)*		
Disclosure	**Quantity**	**Units**
Direct (Scope 1) GHG Emissions	19,375.07	Tonnes
Energy indirect (Scope 2) GHG Emissions	151.71	Tonnes

WORKPLACE SAFETY AND HEALTH

EMPLOYEE'S SAFETY AND HEALTH

The employee's health and safety are the utmost priority of Harbor Star. The Company has its own team responsible for monitoring and implementing health and safety policies and procedures. Harbor Star continues to cultivate an interdependent safety culture in which employees will soon adopt the conduct of "observing each other's welfare." Through the Hazard Reporting and Correction Program, the organization establishes a reporting mechanism for reporting harmful circumstances and behaviors.

Harbor Star acknowledges that its employees are its most valuable asset; consequently, the company requires their participation in incident investigations, hazard identification, risk assessment and control (HIRAC), review of procedures and policies, and other occupational health and safety programs.

Harbor Star ensures that all operational personnel are competent and skilled in safety procedures and are aware of potential hazards and how to avoid them. To enhance the individual competence and skills of our workforce, the Company does various supported training such as:

Employee Training and Development

1. New Employee Orientation
2. Drug Free Workplace
3. HIV-AIDS Prevention and Control
4. Pulmonary Tuberculosis Prevention and Control
5. Hepa-B Prevention and Control
6. First Aid and Basic Life Support Training
7. Emergency Response Training (High Angle Rescue Training) 14
8. Basic Occupational Safety and Health (BOSH)
9. Construction Occupational Safety and Health (COSH)
10. Maritime Occupational Safety and Health (MOSH)
11. Fire Safety Practitioner Training
12. Hazardous Waste Operations & Emergency Response (HAZWOPER)
13. Behavior Based Safety
14. Chemical Safe Handling
15. Work Improvements in Small / Medium Enterprises (WISE)
16. Work Improvements On-board
17. 8-hour OSH Training
18. Safety Management System (SMS) Manual

Workplace Conditions, Labor Standards, and Human Rights		
Occupational Health and Safety *(403-9)*		
Disclosure	**Quantity**	**Units**
Safe Man-Hours	3,771,109	Man-hours
No. of work-related injuries	4	#
No. of work-related fatalities	0	#
No. of work-related ill-health	0	#
No. of safety drills including tugboats	576	#

In 2021, there were no fatalities or lost time injuries at Habor Star. The Accident Frequency Rate (AFR) is 0.16, a decrease of 27% from the AFR of 0.22 in 2020.

COMPLIANCE TO INTERNATIONAL STANDARDS and MAINTENANCE

Harbor Star is committed to maintaining its position as a leader in the industry by placing the utmost importance on excellence, quality service, and safety, Thus, Harbor Star continues to be recognized both here and abroad for operations that are at par with global industry standards.

The Company has once again retained its international certifications for its management systems, specifically International Organization for Standardization (ISO) 9001:2015 Certification-Quality Management System, ISO 14001:2015 Certification-Environmental Management System, and ISO 45001:2018 Certification-Occupational Health & Safety Management System. All of the Company's major processes are evaluated constantly, and continuous improvements are implemented to keep operations in line with international standards. The Company consistently maintains a strict adherence to ISO standards to ensure quality and safety in all its services. In addition to these, Harbor Star also received the Integrated Management System (IMS) Certification for completing the three (3) certifications from DNV GL.

Harbor Star continues to have robust and proactive maintenance and dry docking program for its vessel fleet to minimize the potential for engine breakdown, engine overhauls, and other types of repairs.

The Company ensures compliance with all environmental laws and regulations of the Department of Environment and Natural Resources (DENR) and the Philippine Coast Guard (PCG). Harbor Star also complied with the reportorial requirements of the Department of Labor and Employment (DOLE). Maintaining an injury and illness-free workplace while conserving and preserving the environment.

Harbor Star has secured a certificate of no violation of Occupational Health and Safety standards and, no pending case related to violation of environmental requirements.

Moving forward, as the industry moves toward higher standards of safety, maintenance, and employee development, the Company would continuously do its part in investing in our workforce to be at par with the global industry standards.


DNV

MANAGEMENT SYSTEM CERTIFICATE

Harbor Star Shipping Services, Inc.

JAS-ANZ


DNV

MANAGEMENT SYSTEM CERTIFICATE

Harbor Star Shipping Services, Inc.

JAS-ANZ


DNV

MANAGEMENT SYSTEM CERTIFICATE

Harbor Star Shipping Services, Inc.

JAS-ANZ

United Nation Sustainable Development Goals	
Solar Power Farm	Adopt-A-Mangrove Program

Mangrove Planting:
Through its Adopt-A-Mangrove Program, Harbor Star works to conserve marine resources and protects people living in coastal areas against natural hazards. In 2011, employees of Harbor Star together with Barangay Banoyo, the Municipality of San Luis, Batangas, the Provincial Government Environment and Natural Resource Office (PGENRO), and the Coastal Conservation and Education Foundation, Inc. (CCEF) planted the first batch of 5,000 propagules (mangrove seedlings). Over the years, Harbor Star has ensured the growth and sustainability of the seedlings through monitoring and replanting of propagules. As a result, there are an estimated 60,000 healthy mangrove plants in the area today.

Harbor Star Energy (Solar Power Farm)

As of 31 December 2021, ADGI has delivered 83,629,000 KWh of electricity to SOCOTECO II.

Restatement

GRI Disclosure	Item	Year	Figures	Reason
Energy consumption within the organization (302-1)	Energy Consumption Diesel (GJ)	2019	248,857.84	Included the fuel consumption of tugboats. Change computation based on EPA.
Energy consumption within the organization (302-1)	Energy Consumption Diesel (GJ)	2020	265,143.96	Included the fuel consumption of tugboats. Change computation based on EPA.

GRI Content Index

For the Materiality Disclosures Service, GRI Services reviewed that the GRI content index is presented and the references for Disclosures 102-40 to 10249 align with appropriate sections in the body of the report.

GRI Standard	Disclosure		Page Number(s), direct answers and/or URLs	Reason for Omission
GRI 101: Foundation 2016				
General Disclosures				
GRI 102: General Disclosures 2016	**Organizational Profile**			
	102-1	Name of the organization	Refer to 17-A Page 3: Business Development and Updates	
	102-2	Activities, brands, products, and services	Refer to 17-A Page 6: Business of the Issuer	
	102-3	Location of headquarters	Refer to 17-A Page 1	
	102-4	Location of operations	Refer to 17-A Page 3: Business Development and Updates	
	102-5	Ownership and legal form	Refer to 17-A Page 3: Business Development and Updates	
	102-6	Markets served	Refer to 17-A Page 9: Market	
	102-7	Scale of the organization	Refer to Employee Management, page 6	
	102-8	Information on employees and other workers	Refer to Employee Management, page 6-7	
	102-9	Supply chain	The company's key focus of the operation is providing maritime services. The company has a supplier/service provider accreditation process to ensure compliance with ISO standards and for sustainable development.	
	102-10	Significant changes to the organization and its supply chain		None to report
	102-11	Precautionary Principle or approach	Since the company is an IMS certified, we are using the ISO standards when planning our processes and projects balancing the three pillars of sustainability.	
	102-12	External initiative	See UN SDGs, Page 11	
	102-13	Membership of associations	1. International Salvage Union (ISU) 2. Employer Confederation of the Philippines (ECOP) 3. Philippine Chamber of Commerce and Industry (PCCI) 4. People Management Association of the Philippines (PMAP) 5. Harbor Tugs Association of the Philippines (HTAP)	

			6. Philippine Inter-island Shipping Association (PISA)	
	Strategy			
	102-14	Statement from senior decision-maker	Refer to Annual Report	
	Ethics and Integrity			
	102-16	Values, principles, standards, and norms of behavior	Refer to Mission, Vision and Values; page 2	
	Governance			
	102-18	Governance structure	Refer to Company Website: http://www.harborstar.com.ph/csr	
	Stakeholder Engagement			
	102-40	List of stakeholder groups	Page 4	
	102-41	Collective bargaining agreements		None to report
	102-42	Identifying and selecting stakeholders	Page 4	
	102-43	Approach to stakeholder engagement	Page 4	
	102-44	Key topics and concerns raised	Page 4	
	Reporting Practice			
	102-45	Entities included in the consolidated financial statements	Parent and Subsidiaries	
	102-46	Defining report content and topic Boundaries	Page 3	
	102-47	List of material topics	Page 3	
	102-48	Restatements of information	Page 12	
	102-49	Changes in reporting		None to report
	102-50	Reporting period	Page 1	
	102-51	Date of most recent report	2020	
	102-52	Reporting cycle	Annual	
	102-53	Contact point for questions regarding the report	Jay-R L. Castillo , QHSE Manager	
	102-54	Claims of reporting in accordance with the GRI Standards	Page 1	
	102-55	GRI Content Index		
	102-56	External assurance		Not applicable

GRI Standard	Disclosure		Page Number(s), direct answers and/or URLs	Reason for Omission
MATERIAL TOPICS				
Economic Performance				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	Page 3	
	103-2	The management approach and its components	Page 10, Refer to 17-A Development Activities, page 13	
	103-3	Evaluation of the management approach	Pages 4-5	
GRI 201: Economic Performance 2016	201-1	Direct Economic Value Generated and Distributed	Page 5	
Environmental Performance				
Energy				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	Page 3	
	103-2	The management approach and its components	Pages 3-4, 10, Refer to 17-A Development Activities, page 13	
	103-3	Evaluation of the management approach	Pages 4, 8,10	
GRI 302: Energy 2016	302-1	Energy consumption within the organization	Page 8	
Water				
GRI 103: Management	103-1	Explanation of the material topic and its Boundary	Page 3	
	103-2	The management approach and its components	Pages 3-4,10,	

Approach 2016			Refer to 17-A Development Activities, page 13	
	103-3	Evaluation of the management approach	Pages 4, 8,10	
GRI 303: Water 2016	303-1	Water withdrawal	Page 8	
Emission				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	Page 3	
	103-2	The management approach and its components	Pages 3-4,10, Refer to 17-A Development Activities, page 13	
	103-3	Evaluation of the management approach	Pages 4, 8,10	
GRI 305: Air Emissions 2016	305-1	Direct (Scope 1) GHG Emissions	Page 8	
	305-2	Energy indirect (Scope 2) GHG Emissions	Page 8	
Hazardous Wastes				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	Page 3	
	103-2	The management approach and its components	Pages 3-4,10 Refer to 17-A Development Activities, page 13	
	103-3	Evaluation of the management approach	Pages 4, 8,10	
GRI 302: Waste 2016	306-4	Hazardous Waste	Page 8	
Social Performance				
Employment				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	Page 3	
	103-2	The management approach and its components	Pages 3-4,10 Refer to 17-A Development Activities, page 13	
	103-3	Evaluation of the management approach	Pages 4, 6,10	
GRI 401: Employment 2016	401-1	Employee Data	Page 6	
	401-2	Employee Benefits	Page 6-7	
Occupational Safety and Health				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	Page 3	
	103-2	The management approach and its components	Pages 3-4,10 Refer to 17-A Development Activities, page 13	
	103-3	Evaluation of the management approach	Pages 4, 9,10	
GRI 403: Occupational Health and Safety	403-9	Occupational Health and Safety	Page 9	
Training and Education				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	Page 3	
	103-2	The management approach and its components	Pages 3-4,10 Refer to 17-A Development Activities, page 13	
	103-3	Evaluation of the management approach	Pages 4, 6, 9,10	
GRI 404 : Training and Education	404-1	Employee Training and Development	Page 7	
Diversity and Equal Opportunity				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	Page 3	
	103-2	The management approach and its components	Pages 3-4,10 Refer to 17-A Development Activities, page 13	
	103-3	Evaluation of the management approach	Pages 4, 6,10	
GRI 405: Diversity and Equal Opportunity	405-1	Diversity and Equal Opportunity	Page 7	
Local Communities				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	Page 3	
	103-2	The management approach and its components	Pages 3-4,10 Refer to 17-A Development Activities, page 13	
	103-3	Evaluation of the management approach	Pages 4,7,10	
GRI 413 : Local Communities 2016	413-1	Significant Impacts on Local Communities(	Page 7	

Your report/document has been SUCCESSFULLY ACCEPTED by ICTD.
(Subject to Verification and Review of the Quality of the Attached Document)
Official copy of the submitted document/report with Barcode Page (Confirmation Receipt) will be made available after 15 days from receipt through the SEC Express System at the SEC website at www.sec.gov.ph

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NOTICE

Please be informed that pursuant to SEC Memorandum Circular No. 3, series of 2021, scanned copies of the printed reports with wet signature and proper notarization shall be filed in PORTABLE DOCUMENT FORMAT (PDF) **Secondary Reports** such as: 17-A, 17-C, 17-L, 17-Q, ICASR, 23-A, 23-B, I-ACGR, Monthly Reports, Quarterly Reports, Letters, through email at

ictdsubmission@sec.gov.ph

Note: All submissions through this email are no longer required to submit the hard copy thru mail, eFAST/OST or over- the- counter.

For those applications that require payment of filing fees, these still need to be filed and sent via email with the SEC RESPECTIVE OPERATING DEPARTMENT.

Further, note that other reports shall be filed thru the **ONLINE SUBMISSION TOOL (OST)** such as: AFS, GIS, GFFS, LCFS, LCIF, FCFS. FCIF, IHFS, BDFS, PHFS etc. ANO, ANHAM, FS-PARENT, FS-CONSOLIDATED, OPC_AO, AFS WITH NSPO FORM 1,2,3 AND 4,5,6, AFS WITH NSPO FORM 1,2,3 (FOUNDATIONS)

FOR MC28, please email to:

https://apps010.sec.gov.ph

For your information and guidance.

Thank you and keep safe.

OVER SHEET

SEC Registration Number

					1	5	2	8	9	7

Company Name

HARBOR STAR SHIPPING SERVICES, INC. AND ITS SUBSIDIARIES

Principal Office (No./Street/Barangay/City/Town/Province)

2224 A BONIFACIO ST., COR. PRES. SERGIO OSMEÑA HIGHWAY, BANGKAL, MAKATI CITY 1233 PHILIPPINES

Form Type	Department requiring the report	Secondary License Type, if applicable
17-Q	CRMD	NA

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
www.harborstar.com.ph	(+632) 8886-3703 to 09	N/A

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
119	every last Wed. of May	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
Dany Cleo B. Uson	dbsuon@harborstar.com.ph	(+632) 8886-3703	N/A

Contact Person's Address

2224 A. Bonifacio St., corner Pres. Sergio Osmeña Highway, Bangkal, Makati City, 1233, Philippines

Note: 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 designate

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended **March 31, 2022**

2. Commission identification number **152897**

3. BIR Tax Identification No. **201-128-653-000**

4. Exact name of issuer as specified in its charter **HARBOR STAR SHIPPING SERVICES INC.**

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

6. Industry Classification Code: | (SEC Use Only)

7. Address of issuer's principal office Postal Code

   2224 A. Bonifacio St., cor. Pres. Sergio Osmeña Highway, Bangkal, Makati City. 1233

8. Issuer's telephone number, including area code **(+632)-8886-37-03**

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 Code, or Sections 4 and 8 of the RSA

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
Common	**894,586,870**
Treasury	**13,271,000**

11. Are any or all of the securities listed on a Stock Exchange?
    Yes [**X**] No [ ]

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

    Philippine Stock Exchange **Common stock**

12. Indicate by check mark whether the registrant:

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

Yes [**X**] No [ ]

(b) has been subject to such filing requirements in the past 90 days

Yes [**X**] No [ ]

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

The summary financial data as at and for the period ended March 31, 2022 are based on the interim unaudited financial statements as at and for the three months ended March 31, 2022 of Harbor Star Shipping Services, Inc. and its subsidiaries (the "Group"). The financial statements for the annual and interim period are prepared in accordance with Philippine Financial Reporting Standards ("PFRS").

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

Results of Operations

	For the Three Months Ended March 31,		
	2022 (Unaudited)	**2021** (Unaudited)	**% Change**
Service income, net	703,252,175	427,471,250	64.51%
Cost of Services	337,555,362	313,694,004	7.61%
General and Admin. Expenses	98,799,407	122,723,527	(19.49%)
Other Charges, net	67,964,787	57,683,565	17.82%
Net Income (Loss) Before Income Tax	198,932,618	(66,629,846)	398.56%

Service income, net

The Group has posted total service income, net of P703.25 million for the three-month period ended March 31, 2022, or 64.51% higher than P427.47 million posted in 2021 of same period (Note 16).

The Group mainly sourced its 64.51% increase in service income, net from the following increases: salvage income of P182.43 million, harbor assistance, net of discounts and rebates of P46.82 million, towing services of P19.44 million, construction revenue of P15.87 million, other marine services of P10.08 million, underwater services of P7.05 million and revenue on generation of solar power of P3.89 million (Note 16).

Cost of services

The Group's total cost of services for the three-month period ended March 31, 2022 has increased by 7.61% amounting to P23.86 million from P313.69 million on March 31, 2021 to P337.56 million on March 31, 2022 mainly due to fuel and lubricants, depreciation, direct labor, transportation, port expense, insurance, personnel costs and others (Note 17).

General and administrative expenses

The Group's general and administrative expenses posted as of 1st quarter of 2022 have decreased by 19.49% amounting to P23.92 million from P122.72 million on March 31,2021 to P98.80 million on March 31, 2022 mainly due to depreciation, professional fees, personnel costs and repairs and maintenance (Note 18).

Other charges, net

The net increase change in other charges, net of 17.82% amounting to P10.28 million from P57.68 million on March 31, 2021 to P67.96 million on March 31, 2022 is mainly due to the interest expense on borrowings and loans.

Net income (loss) before tax

The pre-tax net income of the Group has significantly increased by 398.56% amounting to P265.56 million from net loss of (P66.63) million on March 31, 2021 to net income of P198.93 million on March 31, 2022 mainly due to increase in net service revenue and decrease in general and administrative expense.

Financial Condition

	As at March 31, 2022 (Unaudited)	**As at December 31, 2021** (Audited)
Total Assets	6,562,275,366	6,209,245,773
Total Liabilities	5,050,008,922	4,950,326,113
Total Equity	1,512,266,444	1,258,919,660

Cash and cash equivalent

The account has increased by 36.67% amounting to P96.79 million from P263.96 million on December 31, 2021 to P360.75 million on March 31, 2022 mainly due to collections from salvage projects (Note 4).

Trade and other receivables, net

The account has increased by 12.34% amounting to P118.27 million from P958.54 million on December 31, 2021 to P1.08 billion on March 31, 2022 mainly due to trade receivable on operations (Note 5).

Prepayments and other current assets

The account has increased by 43.62% amounting to P133.67 million from P306.42 million on December 31, 2021 to P440.09 million on March 31, 2022 mainly due prepaid rent, prepaid insurance, prepaid fees and dues, prepaid benefits, input VAT and refundable deposits (Note 6).

Property and equipment at cost, net

The account has increased by 0.40% amounting to P8.81 million from P2.22 billion on December 31, 2021 to P2.23 billion on March 31, 2022 mainly due to major improvement made to the assets (Note 9).

Trade and other payables

The account has increased by 35.10% amounting to P224.24 million from P638.78 million on December 31, 2021 to P863.02 million on March 31, 2022 mainly due to trade payables related to operations, unearned income, advances from employees, payable to government agencies and output VAT (Note 13).

Borrowings, current portion

The account has decreased by 0.86% amounting to P2.24 million from P259.27 million on December 31, 2021 to P257.03 million on March 31, 2022 due to payment of borrowings (Note 14).

Lease liabilities, current portion

The account has decreased by 21.10% amounting to P1.43 million from P6.77 million on December 31, 2021 to P5.34 million on March 31, 2022 due to payment of lease liabilities (Note 14).

Trade payables, net of current portion

The account has increased by 76.94% amounting to P11.73 million from P15.25 million on December 31, 2021 to P26.98 million on March 31, 2022 due to unsettled obligations related to operations due more than one year from the end of reporting period.

Borrowings, net of current portion

The account has decreased by 4.04% amounting to P133.73 million from P3.31 billion on December 31, 2021 to P3.18 billion on March 31, 2022 mainly due to payment of borrowings (Note 14).

Retained earnings (Deficit)

The account has increased by 719.19% amounting to P231.54 million from deficit of (P32.19) million on December 31, 2021 to retained earnings of P199.35 million on March 31, 2022 mainly due to net income of the Group.

Discussion and Analysis of Material Events and Uncertainties

As at and for the periods ended March 31, 2022 and December 31, 2021:

- There are no other material changes in the Group's financial position (changes of 5.00% or more) and condition that will warrant a more detailed discussion.
- The Group is not aware of any known trends, or any known demands, commitments, events, or uncertainties that will result in or that are reasonably likely to result in the Group's liquidity increasing or decreasing in any material way.
- The Group is not aware of any event that would trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation.
- All material off-balance sheet transactions, arrangements, obligations and other relationships of the Group with unconsolidated entities or other persons created during the period were considered.
- There are no known trends, events, or uncertainties that have had or that are reasonably expected to have materially favorable or unfavorable impact on net revenues or income from continuing operations.
- The Group is not aware of any significant elements of income and loss that did not arise from the Group's continuing operations.
- The Group is not aware of any seasonal aspects that had a material effect on the financial condition or results of operations.

Comparative Key Performance Indicators

The Group uses the following financial metrics to assess its performance from period to period.

Financial Soundness Indicator	March 31 2022 (Unaudited)	March 31 2021 (Unaudited)	December 31 2021 (Audited)	December 31 2020 (Audited)
Current Ratio	1.13:1	0.42:1	0.05:1	0.40:1
Quick Ratio	0.87:1	0.33:1	0.86:1	0.31:1
Debt-to-Equity Ratio	3.31:1	4.33:1	3.93:1	3.99:1
Asset-to-Equity Ratio	4.44:1	5.46:1	4.93:1	5.08:1
Interest Coverage Ratio	0.38:1	0.01:1	0.38:1	0.39:1
Net Profit Margin Ratio	28.14%	(15.59%)	(5.28%)	(5.05%)
Gross Profit Margin Ratio	52.00%	26.62%	28.45%	26.97%

Financial Risk Management Objectives and Policies

Please refer to Note 22 of the notes to the consolidated financial statements.

PART II – OTHER INFORMATION

There are no disclosures not reported under SEC Form 17-C.

SIGNATURES

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

Issuer: **HARBOR STAR SHIPPING SERVICES, INC.**

GERONIMO P. BELLA JR.
Chairman and President

Date signed:

DANY CLEO B. USON
Chief Financial Officer

Date signed:

HARBOR STAR SHIPPING SERVICES, INC. AND ITS SUBSIDIARIES
17Q Unaudited Financial Statements with
Supplemental Schedules for the
Securities and Exchange Commission
March 31, 2022

TABLE OF CONTENTS

Harbor Star Shipping Services, Inc. and Subsidiaries

Consolidated Statements of Financial Position
(All amounts in Philippine Peso)

	Notes	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
ASSETS			
Current assets			
Cash and cash equivalents	4	360,754,659	263,963,505
Trade and other receivables, net	5	1,076,810,887	958,538,127
Prepayments and other current assets	6	440,095,706	306,421,599
Total current assets		1,877,661,252	1,528,923,231
Non-current assets			
Property and equipment at revalued amounts, net	8	1,662,521,208	1,662,874,369
Property, plant and equipment at cost, net	9	2,233,273,414	2,224,463,388
Right-of-use assets, net		75,801,782	76,928,280
Computer software, net	10	19,062,839	19,417,260
Investment properties	11	52,193,905	52,193,905
Investment in associates	7	207,277,546	207,277,546
Goodwill	1.2	154,207,159	154,207,159
Deferred income tax assets, net	21	-	-
Other non-current assets, net	12	280,276,261	282,960,634
Total non-current assets		4,684,614,114	4,680,322,542
Total assets		6,562,275,366	6,209,245,773
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	13	863,021,347	638,781,516
Short-term loans	14	522,271,500	522,271,500
Borrowings, current portion	14	257,026,362	259,267,337
Lease liabilities, current portion	14	5,343,117	6,771,855
Advances from related parties	20	9,514,313	8,515,256
Income tax payable		370,947	296,623
Total current liabilities		1,657,547,586	1,435,904,087
Non-current liabilities			
Trade payables, net of current portion	13	26,980,393	15,248,351
Borrowings, net of current portion	14	3,178,170,130	3,311,898,604
Lease liabilities, net of current portion	14	31,609,711	31,831,492
Deferred income tax liabilities, net		49,454,041	49,454,041
Retirement benefit obligation		106,247,061	105,989,538
Total non-current liabilities		3,392,461,336	3,514,422,026
Total liabilities		5,050,008,922	4,950,326,113
Equity			
Attributable to owners of the Parent Company			
Share capital	15	907,857,870	907,857,870
Additional paid-in-capital		121,632,762	121,632,762
Revaluation surplus, net of tax	8	286,743,411	286,743,411
Cumulative translation difference		(173,449)	(7,874,394)
Fair value reserve on financial assets at fair value through other comprehensive income		(160,000)	(160,000)
Treasury stock	15	(37,614,990)	(37,614,990)
Retained earnings (Deficit)		199,348,854	(32,194,999)
		1,477,634,458	1,238,389,660
Non-controlling interest		34,631,986	20,530,000
Total equity		1,512,266,444	1,258,919,660
Total liabilities and equity		6,562,275,366	6,209,245,773

See accompanying Notes to Financial Statements

Harbor Star Shipping Services, Inc. and Subsidiaries

Consolidated Statements of Total Comprehensive Income - Unaudited
(All amounts in Philippine Peso)

		Three Months Ended March 31,	
	Notes	**2022**	**2021**
Service income, net	16	703,252,175	427,471,250
Cost of services	17	(337,555,362)	(313,694,004)
Gross profit		365,696,813	113,777,246
General and administrative expenses	18	(98,799,407)	(122,723,527)
Other income, net		272,705	11,634,288
Operating profit		267,170,111	2,688,007
Finance cost			
Interest expense		(71,994,827)	(67,128,480)
Foreign exchange income (loss) on borrowings		3,757,334	(2,189,373)
		(68,237,493)	(69,317,853)
Net income (loss) before income tax		198,932,618	(66,629,846)
Income tax expense	21	(1,062,606)	-
Net income (loss) for the year		197,870,012	(66,629,846)
Net income (loss) attributable to:			
Owners of the parent		188,012,356	(67,005,155)
Non-controlling interest		9,857,656	375,309
		197,870,012	(66,629,846)
Earnings (loss) per share			
Basic and diluted	15	0.21	(0.07)

See accompanying Notes to Financial Statements

Harbor Star Shipping Services, Inc. and its Subsidiaries

Consolidated Statements of Changes in Equity - Unaudited
For the Three Months Ended March 31, 2022 and 2021
(All amounts in Philippine Peso)

	Share capital	Treasury stock	Additional paid in capital	Revaluation surplus	Cumulative translation difference	Fair value reserve on available-for-sale financial assets	Retained earnings (Deficit)	Total	Non-controlling interest	Total equity
Balances at January 1, 2022	907,857,870	(37,614,990)	121,632,762	286,743,411	(7,874,394)	(160,000)	(32,194,999)	1,238,389,660	20,530,000	1,258,919,660
Net income (loss) for the period	-	-	-	-	-	-	188,012,356	188,012,356	9,857,656	197,870,012
Depreciation transfer of revaluation surplus	-	-	-	-	-	-	-	-	-	-
Translation adjustment	-	-	-	-	7,700,945	-	-	7,700,945	-	7,700,945
Non-controlling interest	-	-	-	-	-	-	43,531,497	43,531,497	4,244,330	47,775,827
Balances at March 31, 2022	907,857,870	(37,614,990)	121,632,762	286,743,411	(173,449)	(160,000)	199,348,854	1,477,634,458	34,631,986	1,512,266,444
Balances at January 1, 2021	907,857,870	(37,614,990)	121,632,762	70,903,775	(6,580,388)	(160,000)	93,971,704	1,150,010,733	13,367,797	1,163,378,530
Net income (loss) for the period	-	-	-	-	-	-	(67,005,155)	(67,005,155)	375,309	(66,629,846)
Depreciation transfer of revaluation surplus	-	-	-	-	-	-	-	-	-	-
Translation adjustment	-	-	-	-	(301,340)	-	-	(301,340)	-	(301,340)
Non-controlling interest	-	-	-	-	-	-	56,336	56,336	(165,738)	(109,401)
Balances at March 31, 2021	907,857,870	(37,614,990)	121,632,762	70,903,775	(6,881,728)	(160,000)	27,022,885	1,082,760,574	13,577,368	1,096,337,942

See accompanying Notes to Financial Statements

Harbor Star Shipping Services, Inc. and its Subsidiaries

Consolidated Statements of Cash Flows - Unaudited
For the Three Months Ended March 31, 2022 and 2021
(All amounts in Philippine Peso)

		Three Months Ended March 31,	
	Notes	**2022**	**2021**
Cash flows from operating activities			
Net income (loss) before income tax		198,932,618	(66,629,846)
Adjustments for:			
Depreciation and amortization	17, 18	94,626,537	110,321,016
Retirement benefit expense		304,000	600,000
Bad debts on advances to related parties		-	129,482
Unrealized foreign exchange gain (loss), net	18	(3,405,932)	2,331,289
Interest income		(272,705)	(8,533)
Interest expense		71,993,759	66,673,143
Operating income before working capital changes		362,178,277	113,416,551
Increase in:			
Trade and other receivables	5	(116,561,872)	(6,857,139)
Prepayments and other current assets	6	(127,341,077)	(10,342,039)
Increase in trade and other payables	13	238,034,543	163,458,621
Net cash generated from operations		356,309,871	259,675,994
Interest received		272,705	8,533
Interest paid		(71,993,759)	(66,673,143)
Income taxes paid		(1,062,606)	-
Retirement obligation paid		(304,000)	(174,700)
Net cash provided by operating activities		283,222,211	192,836,684
Cash flows from operating activities			
Acquisitions of:			
Property and equipment	8, 9	(102,778,362)	(43,214,613)
Investment properties	11	-	(2,055,113)
Intangible assets		(173,964)	(1,683,580)
Decrease (increase) in:			
Advances to related parties	20	(9,040,742)	(20,869,514)
Other noncurrent assets	12	2,471,487	5,203,372
Net cash used in investing activities		(109,521,581)	(62,619,448)
Cash flows from financing activities			
Payment of:			
Interest-bearing loans and borrowings	14	(88,461,720)	(57,934,026)
Lease liabilities	14	(732,368)	(1,040,406)
Increase in advances from related parties	20	14,554,101	12,019,378
Net cash used in financing activities		(74,639,987)	(46,955,054)
Effects of exchange rate changes in cash		(1,205,469)	1,949,582
Net increase in cash	4	97,855,174	85,211,764
Cash at beginning of the period	4	262,899,485	272,482,353
Cash at end of the period	4	360,754,659	357,694,117

See accompanying Notes to Financial Statements

HARBOR STAR SHIPPING SERVICES, INC. AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Business Information

1.1 General information

Harbor Star Shipping Services, Inc. (the "Parent Company") was incorporated in the Philippines and registered with the Securities and Exchange Commission ("SEC") on July 5, 1988, primarily to engage in harbor assistance (docking and undocking), ship salvage, towage/lighterage and specialized cargo handling operations and other marine services.

In July 2012, the Parent Company commenced activities for an initial public offering ("IPO") of its common shares in the Philippines. On October 29, 2012, the Parent Company submitted its Registration Statement to the Philippine SEC. On October 30, 2013, the Parent Company completed its listing in the Philippine Stock Exchange ("PSE") and became a public company. The Parent Company did not have any follow-on offering subsequent to its initial public offering.

As a public Company, the Parent Company is covered by Part I Section 2A(i) of the Securities Regulation Code (SRC) Rule 68, as amended on October 20, 2011 and also covered by additional requirements under SRC Rule 68, as amended, Part II.

As at March 31, 2022, the Parent Company has 119 shareholders, 117 of which holds at least 100 common shares (2020 - 110). The Parent Company's major shareholders are its own directors holding 68.88% of its total issued shares and the remaining 31.12% of total issued shares as at March 31, 2022 and 2021 and are held by the public.

The Group's registered office, which is also its principal place of business, is located at 2224 A. Bonifacio Street corner Pres. Sergio Osmeña Highway, Bangkal, Makati City, 1233, Philippines.

1.2 Significant developments

Acquisition of Astronergy Development Gensan Inc. (ADGI);
Astronergy Development F1 Inc. (ADF1) and Astronergy Development F2 Inc. (ADF2)

On October 6, 2017, the Parent Company's BOD resolved to acquire 60% shareholdings of ADGI, an entity engaged in power generation through renewable energy through HSEC, a new subsidiary. On the same date, which became the acquisition date, a total of 599,997 shares were acquired, representing 60% of the issued and outstanding shares of ADGI. As a result, ADGI became a subsidiary of HSEC effective October 6, 2017.

ADGI was registered with the Department of Energy (DOE), with Registration No. SESC 2014-12-096 on December 29, 2014, as a Renewable Energy (RE) Developer of Solar Energy Resources. Pursuant to Section 15 Chapter VI of Republic Act (RA) No. 9513, An Act Promoting The Development, Utilization and Commercialization of Renewable Energy Resources and For Other Purposes, ADGI, as RE Developer, is entitled to certain incentives including income tax holiday (ITH) for the first seven (7) years of its commercial operations.

ADGI has permits, licenses and entitlements to operate 25MW, expandable to 75MW, solar power plant in General Santos. ADGI has been issued a Certificate of Commerciality by the DOE and has an existing ERC-approved Power Purchase Agreement (PPA) with South Cotobato II Electric Cooperative, Inc. ("SOCOTECO II"). Under the PPA, SOCOTECO-II will purchase all the energy output from the project. On March 15, 2018, the Parent Company's BOD resolved to acquire the following shares of stocks through HSEC, its subsidiary:

- 40% additional shareholdings of ADGI
- 100% shareholdings of Astronergy Development F1 Inc. (ADF1)
- 100% shareholdings of Astronergy Development F2 Inc. (ADF2)

On April 12 and October 18, 2018, HSEC acquired the remaining 25% and 15% shareholdings of ADGI which represents 250,000 and 150,000 shares of stock, respectively for a total of P75,108,479. The acquisition resulted in the reversal of NCI and a charge to retained earnings amounting to P18,695,948 and P83,342,728, respectively. The acquisition of the remaining shares of stocks made ADGI a wholly-owned subsidiary of HSEC.

The total consideration given with respect to the acquisition of ADGI's 60% shares and 100% shares of ADFI and ADF2 is P147,453,712. Provisional goodwill amounting to P48,603,347 recognized in 2017 was then subsequently adjusted in 2018 to P154,207,159 which considered likewise subsequent acquisition that pertains to the same PPA. The goodwill is attributable to the continuing operations of the acquired businesses. It will not be deductible for tax purposes.

ADF1 and ADF2 have their own ancillary permits and contracts to support the expansion of the 25 MW ADGI solar power plant to 75MW.

On July 27, 2019, ADGI started the commercial operation of its solar power plant in Sitio Changco, Brgy. Bawing, General Santos City, South Cotabato with a capacity of 25MW.

Cash paid for the acquisitions

Cash paid for the acquisition of 60% of ADGI amounting to P20,559,425 is presented net of cash from acquired subsidiary of P50,000 for a net cash paid of P20,509,425 in the consolidated statement of cash flows for the year ended December 31, 2017. In 2018, the cash paid was subsequently adjusted by P20,161,428 due to adjustments in purchase price.

Cash paid for the acquisition of 100% of ADF1 and ADF2 amounting to P147,053,712 is presented net of cash from acquired subsidiaries in the consolidated statement of cash flows for the year ended December 31, 2018.

On May 29, 2019, ADGI has received the Certificate of Approval of Increase in Capital Stock from the SEC. The authorized capital stock was increased from P2,000,000 divided into 2,000,000 shares with a par value of P1 each to P600,000,000 divided into 600,000,000 shares with a par value of P1. Subsequently, HSEC, the parent company of ADGI subscribed to an additional 300,000,000 shares with a par value of P1 for a total of P300,000,000. HSEC has settled P92,000,000 from the subscribed amount through application of its advances of deposit for future subscription.

On December 3, 2019, Energy Regulatory Commission (ERC) granted the Certificate of Compliance (COC No. 19-12-M-00188M) to ADGI after having found to comply with all the requirements in the 2014 Revised COC Rules, the Philippine Grid Code, the Philippine Distribution Code, the Wholesale Electricity Spot Market (WESM) Rules and related laws, orders and regulations. The COC shall be valid for a period of five (5) years, from December 31, 2019 to December 2, 2024, and its application for renewal shall be filed at least six (6) months before its expiration date.

In 2020, ADGI commenced commercial operations for the entire year. On January 26, 2021, SOCOTECO II and ADGI filed an Application on ERC Case No. 2013-2017 RC seeking the Commission's approval of their Renewable Energy Supply Agreement (RESA) for issuance of final authority and collection for the supply of power based on the RESA as at December 31, 2020. In 2020, ADGI has submitted to the ERC all documents to support their claims. As at reporting date, ADGI is awaiting for final ruling from the ERC.

Other significant investment in 2018

On April 20, 2018, the Parent Company subscribed to 97% or equivalent to 48,500 shares of the 50,000 authorized shares of Harbor Star East Asia (Myanmar) Limited (HSEA) and paid 50% of the subscription amounting to P1,354,522 which gave the Parent Company 100% controlling interest over HSEA.

HSEA was incorporated on February 6, 2018 in The Republic of the Union of Myanmar in accordance with Myanmar Companies Act under Registration and Permit no. 1054FC/2017-2018 (YGN) as a Private Company. HSEA is engaged in providing consultancy and support services, underwater, marine and maritime- related business in Myanmar. The period of the validity of permit is from February 6, 2018 to February 5, 2023.

On August 16, 2018, the Parent Company subscribed to 31% (218,464 shares) of the 705,924 authorized shares of Hi-Energy Marine Services, Inc. (HEMSI) and paid 100% of the subscription amounting to P85,368,973. As a result, HEMSI became an associate.

HEMSI was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on February 13, 2012 primarily to engage in towage, mooring, maritime commerce and navigation.

Other significant investments in 2019

On September 20, 2019, the Parent Company subscribed to 29% or equivalent to 5,799 shares of the 100,000 authorized shares of Harbor Star East Asia (Thailand) Co. (HSEAT). The total subscribed amount of P49,651 is has yet to be paid as at December 31, 2020. The subscribed shares of 29% and a seat in the BOD gave the Parent Company controlling interest over HSEAT.

HSEAT was incorporated and registered with The Partnership and Company Registration Office of Bangkok Metropolis in Thailand on September 20, 2019. HSEAT is primarily engaged in providing transportation and warehousing in Thailand.

Its registered address is 589/2 Central City Tower 1, 17th floor, Debaratana Road, Bangnaneua Subdistrict, Bagna District, Bangkok.

Other business updates

On January 29, 2020, the Maritime Industry Authority (MARINA) issued its first endorsement that it has no objection to the amendment of the Second Article of the Articles of Incorporation of TUGS authorizing it to engage in operation of maritime schools/educational/training facilities. This is in line with the process of applying for applying for an amendment on AOI with SEC based on the BOD resolution issued last March 6, 2017. On July 7, 2020, the SEC approved the amendment of the AOI..

On September 8, 2020, the Parent Company has been accredited by the Philippine Contractors Accreditation Board (PCAB) for General Building and Engineering. The Parent Company is licensed to perform both private and public construction work which includes building, rehabilitating and repairing roads, piers, terminations and other infrastructure.

On February 2, 2021, the BOD has been informed that HSEAT would be closed due to continuing expenses with no operations. On April 23, 2021, the BOD has been informed that HSEAM would be suspending its operations while the Company is complying with the requirements to permanently wind-up. On November 11, 2021, HSEAT has completed the registration of its liquidation.

On March 17, 2021, the Parent Company has subscribed to 29,999,999 shares of Harbor Star Construction Corporation (HSCC) for a total amount of P29,999,997, which gave the Group 100% controlling interest over HSCC.

On April 23, 2021, the SEC has approved the Certificate of Incorporation of Harbor Star Construction Corporation (HSCC). HSCC's primary purpose is to engage in the business of general building construction and other allied business including the constructing, developing, repairing, altering, enlarging, removing, restoring, designing, or otherwise engaging in any construction jobs of all description or works.

1.3 Consolidation

As at March 31, 2022 and December 31, 2021, the consolidated financial statements include the Parent Company and its Subsidiaries, namely, Harbor Star Subic Corp., Peak Flag SDN BHD, Harbor Star Energy Corporation, Harbor Star East Asia (Myanmar) Limited, Harbor Star Construction Corp., Astronergy Development Gensan Inc., Astronergy Development F1, Inc., and Astronergy Development F2, Inc. In both reporting period, they are collectively referred to as the “Group”.

The principal activities of the subsidiaries and associate are set out below.

	Relationship	% of interest held 2022	2021	Registered place of business/ Country of incorporation	Main activity
Harbor Star Subic Corp. (HSSC)	Subsidiary	100%	100%	Philippines	HSSC was incorporated on September 17, 2015 and registered in the Philippines primarily to engage in marine-related ancillary services such as harbor assistance, towage, lighterage, oil spill response and underwater marine services. Its registered address, which is also its principal place of business, is located at Units 9 and 10, Alava Quay, Waterfront Road, Subic Bay Freeport Zone, Subic, Zambales.
Harbor Star Energy Corporation (HSEC)	Subsidiary	100%	100%	Philippines	HSEC was incorporated on May 11, 2017 and registered in the Philippines primarily to engage in the production and sale of renewable energy. Its registered address is at 2224 A. Bonifacio cor Pres. Osmeña Bangkal Makati, Metro Manila.
Peak Flag SDN BHD (Peak Flag)	Subsidiary	45%	45%	Malaysia	Peak Flag was incorporated and registered in Malaysia, primarily to carry on the business of providing tugboat harbor assist/ marine support services. Its registered address, which is also its principal place of business, is at Suite N-6-04, The Gamuda Biz Suites, No.12, Persiaran Anggerik Vanilla 31/99 Seksyen 31, Kota Kemuning 40460 Shah Alam, Selangor.

	Relationship	% of interest held 2022	2021	Registered place of business/ Country of incorporation	Main activity
Astronergy Development Gensan, Inc. (ADGI)	Subsidiary (indirect)	100%	100%	Philippines	In 2018, HSEC completed full subscription to total share of ADGI, an entity engaged in power generation through renewable energy. ADGI has not started commercial operations as at June 30, 2019. Its registered address, which is also its principal place of business, is at Unit 202 Midway Court Building, EDSA Mandaluyong, Metro Manila.
Astronergy Development F1 Inc. (ADF1)	Subsidiary (indirect)	100%	100%	Philippines	During 2018, HSEC acquired 100% ownership of Astronergy Development F1 Inc., an entity engaged in power generation through renewable energy. ADF1 has not started commercial operations as at June 30, 2019. Its registered address, which is also its principal place of business, is at 2224 A. Bonifacio Street corner President Sergio Osmeña Highway, Bangkal, Makati City, Philippines.
Astronergy Development F2 Inc. (ADF2)	Subsidiary (indirect)	100%	100%	Philippines	During 2018, HSEC acquired 100% ownership of Astronergy Development F2 Inc., an entity engaged in power generation through renewable energy. ADF2 has not started commercial operations as at June 30, 2019. Its registered address, which is also its principal place of business, is at 2224 A. Bonifacio Street corner President Sergio Osmeña Highway, Bangkal, Makati City, Philippines.
Harbor Star East Asia (Myanmar) Limited (HSEAM)	Subsidiary	100%	100%	Myanmar	During 2018, HSSSI acquired 97% ownership of Harbor Star East Asia (Myanmar) Limited,an entity providing consultancy and support services including underwater, marine and maritime related business. Its registered address, which is also its principal place of business, is at No. Level 8 A, Union Financial Center, Corner of Mahabandoola and Thein Phyu Road, Botahtaung Township, Yangon.

	Relationship	% of interest held 2022	2021	Registered place of business/ Country of incorporation	Main activity
Harbor Star East Asia (Thailand) Co., Ltd. (HSEAT)	Subsidiary	29%	29%	Thailand	HSEAT was incorporated and registered in Thailand on September 20, 2019, primarily engage in providing transportation and warehousing in Thailand. Its registered address is 589/2 Central City Tower 1, 17th floor, Debaratana Road, Bangnaneua Sub-district, Bangna District, Bangkok On November 11, 2021, HSEAT has completed the registration of its liquidation.
Harbor Star Construction Corporation (HSCC)	Subsidiary	100%	-	Philippines	HSCC was incorporated on April 23, 2021 and registered in the Philippines primarily to engage in the business of general building construction and other allied business including the constructing, developing, repairing, altering, enlarging, removing, restoring, designing, or otherwise engaging in any construction jobs of all description or works. Its registered address, which is also its principal place of business is located at 2224 A. Bonifacio cor Pres. Osmena Bangkal Makati, Metro Manila.
Hi-Energy Marine Services, Inc. (HEMSI)	Associate	31%	31%	Philippines	During 2018, HSSSI acquired 31% ownership of HEMSI, an entity engaged in towage, mooring, maritime commerce and navigation. Its registered address, which is also its principal place of business, is at Rm. 306, Velco Center cor. Senior Oca and Delgado Sts., South Port Area, Manila.
Great Eastern Tug Corporation (GETC)	Associate	20%	20%	Philippines	GETC was incorporated and registered with the Philippine SEC on September 9, 2002, primarily to own, charter in/out, operate and manage tugboats or domestic services. Its registered address, which is also its principal place of business, is located at 11F Marc 2000 Tower, 1973 Taft Avenue, Malate, Manila.

HSEAT, although assessed as having controlling interest is not included in consolidation since it is not a material component to the Group as at March 31, 2022 and December 31, 2021.

Critical accounting judgments

(a) Determining control over investments with ownership of less than half of the entity's total equity

The Parent Company follows the guidance of Philippine Financial Reporting Standards (PFRS) 10 "Consolidated Financial Statements" in determining if control exists for investments with ownership of less than half of its total equity. In making this judgment, the Parent Company considers the power over more than half of the voting rights by virtue of an agreement with other investors, power to govern the financial and operating policies of the entity under a statute or an agreement, power to appoint or remove the majority of the members of the Board of Directors (BOD), or power to cast the majority of votes at meetings of the BOD.

Having a significant influence based on the percentage ownership, the Parent Company initially considered Peak Flag as associate. However, effective January 1, 2014, the Parent Company has gained control over the key economic decisions and policies affecting Peak Flag under the duly signed amended shareholders' agreement including majority board representation. Consequently, based on management's judgment and continuous assessment of the Parent Company, Peak Flag is considered a subsidiary as at March 31, 2022 and December 31, 2021.

Assessment of control over subscribed shares of HSEAT is disclosed in Note 1.2

(b) Non-controlling interest

Set out below are the summarized financial information of Peak Flag, a subsidiary, that has non-controlling interest to the Group. The amounts disclosed are before intercompany eliminations.

	March 31, 2022	December 31, 2021
Total current assets	280,026,819	256,726,874
Total non-current assets	110,104,673	111,618,485
Total current liabilities	329,570,479	306,191,654
Equity	60,561,012	27,232,670
Total revenue	30,867,332	34,921,035
Total expense	12,944,321	97,921,562
Total income (loss) for the year	17,923,011	(82,254,181)
Total comprehensive income for the year	17,923,011	15,667,381
Net cash provided by operating activities	5,044,581	15,667,381
Net cash provided by financing activities	2,080,503	40,217,499

2. Basis of Preparation, Statement of Compliance and Summary of Significant Accounting Policies

Basis of Preparation

The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). The term PFRS, in general, includes all applicable PFRS, Philippine Accounting Standards (PAS), interpretations of the Philippine Interpretations Committee (PIC), Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the Financial Reporting Standards Council (FRSC) and adopted by the SEC.

These consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of property and equipment - tugboats and fair value measurement of financial assets at fair value through other comprehensive income.

The preparation of consolidated financial statements in conformity with PFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

Changes in accounting policies and disclosures

a. New and amended standards and interpretations adopted by the Group

There are a number of new accounting standards, amendments and interpretations that have been published that are mandatory for March 31, 2022 reporting period.

Interest Rate Benchmark Reform Phase 2 - Amendments to PFRS 9 , PAS 39, PFRS 7, PFRS 4 and PFRS 16 (effective January 1, 2021)

In August 2020, the IASB made amendments to PFRS 9, PAS 39, PFRS 7, PFRS 4 and PFRS 16 to address the issues that arise during the reform of an interest rate benchmark rate, including the replacement of one benchmark with an alternative one.

The Phase 2 amendments provide the following reliefs:

- When changing the basis for determining contractual cash flows for financial assets and liabilities (including lease liabilities), the reliefs have the effect that the changes, that are necessary as a direct consequence of IBOR reform and which are considered economically equivalent, will not result in an immediate gain or loss in the income statement.
- The hedge accounting reliefs will allow most PAS 39 or PFRS 9 hedge relationships that are directly affected by IBOR reform to continue. However, additional ineffectiveness might need to be recorded.

Affected entities need to disclose information about the nature and extent of risks arising from IBOR reform to which the entity is exposed, how the entity manages those risks, and the entity's progress in completing the transition to alternative benchmark rates and how it is managing that transition. Given the pervasive nature of IBOR-based contracts, the reliefs could affect companies in all industries.

Covid-19-related Rent Concessions - Amendments to PFRS 16 (effective June 1, 2020)

As a result of the COVID-19 pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. In May 2020, the IASB made an amendment to PFRS 16 Leases which provides lessees with an option to treat qualifying rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concessions as variable lease payments in the period in which they are granted. The Group has no lease concessions as at December 31, 2021.

None of these standards, amendments and interpretations have a significant impact on the Group's financial statements.

b. New standards, amendments and interpretations not ye adopted by the Group

There are new PFRS, interpretation, amendments and annual improvements to existing standards effective for annual periods subsequent to 2020. Management will adopt the following relevant pronouncements in accordance with their transitional provisions. None of those standards are expected to have a significant impact on the consolidated financial statements of the Group, but the more relevant ones are set out:

Classification of Liabilities as Current or Non-current - Amendments to PAS 1 (effective January 1, 2023)

The narrow-scope amendments to PAS 1 Presentation of Financial Statements clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (eg the receipt of a waver or a breach of covenant). The amendments also clarify what PAS 1 means when it refers to the 'settlement' of a liability.

The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity.

They must be applied retrospectively in accordance with the normal requirements in PAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

Property, Plant and Equipment: Proceeds before intended use - Amendments to PAS 16 (effective January 1, 2022)

The amendment to PAS 16 Property, Plant and Equipment (PP&E) prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment.

Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities.

Reference to the Conceptual Framework - Amendments to PFRS 3 (effective January 1, 2022)

Minor amendments were made to PFRS 3 Business Combinations to update the references to the Conceptual Framework for Financial Reporting and add an exception for the recognition of liabilities and contingent liabilities within the scope of PAS 37 Provisions, Contingent Liabilities and Contingent Assets and Interpretation 21 Levies. The amendments also confirm that contingent assets should not be recognised at the acquisition date.

Annual Improvements to PFRS Standards 2018 - 2020 (effective January 1, 2022)

The following improvements were finalised in May 2020:

- PFRS 9 Financial Instruments - clarifies which fees should be included in the 10% test for derecognition of financial liabilities.

- PFRS 16 Leases - amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives.

- PFRS 1 First-time Adoption of International Financial Reporting Standards - allows entities that have measured their assets and liabilities at carrying amounts recorded in their parent's books to also measure any cumulative translation differences using the amounts reported by the parent. This amendment will also apply to associates and joint ventures that have taken the same PFRS 1 exemption.

Disclosure of Accounting Policies - Amendments to PAS 1 and PFRS Practice Statement 2 (effective January 1, 2023)

The IASB amended PAS 1 to require entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information.

To support this amendment, the IASB also amended PFRS Practice Statement 2 Making Materiality Judgements to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

Definition of Accounting Estimates - Amendments to PAS 8 (effective January 1, 2023)

The amendment to PAS 8 Accounting Policies, Changes in Accounting Estimates and Errors clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, but changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to PAS 12 (effective January 1, 2023)

The amendments to PAS 12 Income Taxes require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations and will require the recognition of additional deferred tax assets and liabilities.

The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognise deferred tax assets (to the extent that it is probable that they can be utilised) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with:

- right-of-use assets and lease liabilities, and
- decommissioning, restoration and similar liabilities, and the corresponding amounts recognised as part of the cost of the related assets.

The cumulative effect of recognising these adjustments is recognised in retained earnings, or another component of equity, as appropriate. PAS 12 did not previously address how to account for the tax effects of on-balance sheet leases and similar transactions and various approaches were considered acceptable. Some entities may have already accounted for such transactions consistent with the new requirements. These entities will not be affected by the amendments.

None of these standards are expected to have a significant impact on the financial statements of the Group.

Consolidation

a. Business combination

The Group applies the purchase or acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with PFRS 9 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is not accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

b. Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has a right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The subsidiary is fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date the control ceases.

Intercompany transactions, balances and unrealized gain on transactions between Parent Company and its subsidiaries are eliminated.

When the Group ceases to have control, any retained interest in the subsidiary is re-measured to its fair value at the date when control is lost, with the change in carrying amount generally recognized in profit or loss. The fair value is the initial carrying amount for purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

If the Group surrenders control to a related party within the Group it ultimately belongs, the difference between the consideration received and the fair value of the subsidiary at divestment date, is recognized within equity.

c. Associate

An associate is an entity over which the Group can exert significant influence, but which is neither a subsidiary nor a joint venture. Investment in associate is initially recognized at cost and subsequently accounted for using the equity method.

Under the equity method, the carrying amount of the investment in associate is increased or decreased to recognize the Group's share of the net earnings (losses) and other comprehensive income of the associates after the date of acquisition. The Group's share in the net earnings (losses) and other comprehensive income of the associates is recognized in the Group's profit or loss. Items that have been directly recognized in the associates' equity are recognized in equity of the Group. Distributions received from the associates reduce the carrying amount of the investment.

If the Group's share in net losses of associates equals or exceeds its interest in the associates, the Group will discontinue recognizing its share of further losses. The interest in an associate is the carrying amount of the investment in the associate under the equity method together with any long-term interests that, in substance, form part of the Group's net investment in the associate.

After the Group's interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognizing its share of those net earnings only after its share of the earnings equals the share of losses not recognized.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount adjacent to 'share of profit (loss) of an associate' in profit or loss.

Investment in associate is derecognized when the risk and rewards of ownership have been transferred or extinguished. When the investment in associate is derecognized, its cost and related impairment, if any, are eliminated from the accounts.

Goodwill

Goodwill is initially measured as the excess of the aggregate of the consideration transferred (including the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquire) over the fair value of the Group's share of the identifiable net assets acquired. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, in the case of a bargain purchase, the difference is recognized directly in profit or loss.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units (CGUs), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognized immediately as an expense and is not subsequently reversed.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, deposits held at call with banks and other short-term, highly liquid investments with original maturities of three months or less from date of acquisition. Deposits held at call with banks earn interest at the prevailing bank interest rate. These are carried at amortized cost.

Investments and other financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity of another entity. The Group recognizes a financial instrument in the consolidated statements of financial position, when and only when, the Group becomes a party to the contractual provisions of the instrument.

Financial assets

a. Classification

The Group classifies its financial assets in the following categories:

- those to be measured subsequently at fair value (either through other comprehensive income (OCI) or through profit or loss), and
- those to be measured at amortized cost

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. The Group only holds financial assets classified as financial assets at amortized cost as at March 31, 2022 and December 31, 2021 which comprise cash and cash equivalents, trade and other receivables, deposit bond, advances to related parties, refundable deposits and financial assets at fair value through other comprehensive income in the consolidated statements of financial position.

b. Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

c. Measurement

At initial recognition, the Group measures a financial asset at its fair value.

Subsequent to initial recognition, measurement depends on the Group's business model for managing the asset and cash flow characteristic of the asset. For financial assets at amortized cost, interest income, if any, from these financial assets is included within other income in the statement of total comprehensive income using the effective interest rate method. Impairment losses are presented as separate line item in profit or loss.

Where the Group's management has elected to present fair value gains and losses on investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss when the Group's right to receive payments is established.

d. Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Impairment loss is recognized in profit or loss and the carrying amount of the asset is reduced through the use of an allowance. The Group applies the ECL model to measure the impairment for all financial assets at FVOCI and at amortized costs.

The Group calculates the allowance for credit losses by considering on a discounted basis the cash shortfalls it would incur in various default scenarios for prescribed future periods and multiplying the shortfalls by the probability of each scenario occurring. ECL are measured through an allowance at an amount equal to:

- the 12-month ECL (that result from those default events on the financial instrument that are possible within 12 months after the reporting date); or
- full lifetime ECL (that result from all possible default events over the life of the financial instrument).

Financial liabilities

a. Classification

The Group classifies its financial liabilities in the following categories: financial liabilities at fair value through profit or loss (including financial liabilities held for trading and those that designated at fair value); and other financial liabilities. As at March 31, 2022 and December 31, 2021, the Group's financial liabilities are limited to other financial liabilities at amortized cost.

The Group's trade and other payables (excluding payable to government agencies, unliquidated expenses and unearned income), advances from related parties, short-term loans and borrowings, finance lease liabilities and lease liabilities are classified under other financial liabilities at amortized cost.

Issued financial instruments or their components, which are not designated at fair value through profit or loss, are classified as other financial liabilities, where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder. Other financial liabilities include accrued expenses. These are included in current liabilities except for maturities greater than 12 months after the reporting period which are classified as non-current liabilities.

b. Initial recognition and derecognition

Financial liabilities are initially recognized at fair value of the consideration received plus directly attributable transaction costs. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

c. Subsequent measurement

Other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate.

Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

The Parent Company has right to offset intercompany payables and receivables as at March 31, 2022. Total intercompany receivables offset against payables amounts to P72,825,511.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Group classifies its fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.
The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.

The fair value of assets and liabilities that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the asset or liability is included in Level 2.

If one or more of the significant inputs is not based on observable market data, the asset or liability is included in Level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

The Group's financial asset at FVOCI with quoted market price is valued using Level 1 of the fair value hierarchy.

The Group has no other significant financial assets and liabilities carried at fair value.

The carrying amount of significant financial assets and liabilities, except borrowings approximates their fair value as the impact of discounting is not considered significant considering that the remaining significant financial assets and liabilities generally have short term maturity.

For non-financial assets, the Group uses valuation techniques that are appropriate in the circumstances and applies the technique consistently. Commonly used valuation techniques are as follows:

- Market approach - A valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable (i.e., similar) assets, liabilities or a group of assets and liabilities, such as a business.
- Income approach - Valuation techniques that convert future amounts (e.g., cash flows or income and expenses) to a single current (i.e., discounted) amount. The fair value measurement is determined on the basis of the value indicated by current market expectations about those future amounts.
- Cost approach - A valuation technique that reflects the amount that would be required currently to replace the service capacity of an asset (often referred to as current replacement cost).

The Group's tugboats are valued using Level 2 of the fair value hierarchy. The fair value of tugboats were determined using cost approach where valuation performed are based on cost of reproduction of new vessel, accumulated depreciation, character and utility of the vessel (Note 8).

The Group determines the fair value of its investment properties, which is carried at cost (Note 11), using Level 2 of the fair value hierarchy by direct comparison approach with reference to open market of similar properties with consideration of the location, property size, physical features and economic factors.

The Group has no other significant non-financial assets and liabilities carried at fair value.

<u>Trade and other receivables</u>

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less, these are classified as current assets. If not, these are presented as non-current assets.

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using effective interest method, less provision for impairment.

The carrying amount of the receivable is reduced through the use of an allowance account, and the amount of loss is recognized within general and administrative expenses in profit or loss. When a receivable remains uncollectible after the Group has exerted all legal remedies, it is written off against the allowance account for receivables. If in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in profit or loss. Reversal of previously recorded impairment provision are based on the result of management's update assessment, considering the available facts and changes in circumstances, including but not limited to results of recent discussions and arrangements entered into with customers as to the recoverability of receivables at the end of the reporting period. Subsequent recoveries of the amounts previously written off are credited to general and administrative expenses in profit or loss.

<u>Prepayment and other assets</u>

Prepayments are recognized in the consolidated statement of financial position in the event that payment has been made in advance of obtaining right of access to goods or receipt of services and measured at nominal amounts.

Other assets consist substantially of input value-added taxes (VAT) and leasehold rights.

Input VAT are recognized as assets in the period such input VAT become available as tax credits to the Group and carried over to the extent that it is probable that the benefit will flow to the Group.

A provision for unrecoverable input VAT is established when there is objective evidence that the Group will not be able to recover the claims. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in profit or loss within general and administrative expenses.

Leasehold rights are recognized at cost which approximates purchase price or total consideration. Leasehold rights with definite life is amortized over the period of the contract while leasehold rights that have indefinite life, are carried at cost less impairment, if any.

Prepayments and other assets are included in current assets, except when the related goods or services are expected to be received or rendered more than twelve months after the reporting period which are classified as non-current assets.

Prepayments are derecognized in the consolidated statement of financial position upon receipt of goods or services, through amortization over a certain period of time, and use or consumption.

Input VAT are derecognized when applied against output or when written off.

Property, plant and equipment

All property, plant and equipment are carried at cost less accumulated depreciation and any impairment except for tugboats which are carried at revalued amounts.

Tugboats are initially recognized at cost. Subsequently, tugboats are carried at revalued amounts, which is the fair value at date of revaluation less any subsequent accumulated depreciation and accumulated impairment losses. The Group engages external, independent and qualified valuers to determine the fair value of the Group 's tugboats once every 3-5 years. The increase of the carrying amount of an asset as a result of a revaluation is credited directly to equity (under the heading 'revaluation surplus'), unless it reverses a revaluation decrease previously recognized as an expense, in which case it is credited in profit or loss. A revaluation decrease is charged directly against any related revaluation surplus, with any excess being recognized as an expense in profit or loss.

Each year, the Group transfers from revaluation surplus reserve to retained earnings the difference between the depreciation charges calculated based on the revalued amount and the depreciation charge based on the assets' historical cost.

The profit or loss on disposal of a revalued asset is determined as the difference between the net disposal proceeds and the carrying amount of the asset. On disposal of the revalued asset, the relevant revaluation surplus included in equity is transferred directly to retained earnings.

All other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which these are incurred.

Dry docking cost represents major inspection and overhaul costs and is depreciated to reflect consumption benefits which is to be replaced or restored by the subsequent dry docking generally every two (2) years. The Group has included these dry docking expenses as part of tugboat component. Land is not depreciated.

Depreciation on other assets is calculated using the straight-line method to allocate their costs or revalued amounts to their residual values over their estimated useful lives (in years), as follows:

Tugboats	8 to 26
Barges	10 to 37
Building and building improvements	10
Transportation equipment	5
Construction equipment	5
Diving and oil spill equipment	3 to 5
Furniture, fixtures and leasehold improvements	3 to 4

Construction in-progress is stated at cost. This includes cost of construction and other direct costs. Construction in-progress is not depreciated until such time as the relevant assets are completed and are available for use. Tugboats under construction is classified as “Property, plant and equipment at cost” and subsequently transferred to “Property and equipment at revalued amounts” upon completion. Leasehold improvements are amortized over the estimated useful life of the improvements, which is shorter than the lease term, considering the renewal option.

The assets’ residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset’s carrying amount is written down immediately to its recoverable amount if the asset’s carrying amount is greater than its estimated recoverable amount.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal at which time the cost, appraisal increase and their related accumulated depreciation are removed from the consolidated statement of financial position. Any gains and losses on disposals of an asset as cost are determined by comparing proceeds with carrying amount and are recognized in profit or loss.

Computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs will be amortized over its estimated useful lives of five (5) years from the start of its use. Costs associated with maintaining computer software programs are recognized as an expense as incurred.

Computer software is derecognized upon disposal or when no future economic benefits are expected from its use or disposal at which time the cost and the related accumulated amortization are removed from the consolidated statement of financial position. Any gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the assets and are recognized in profit or loss.

Investment property

Investment property is recognized as an asset, when it is probable that the future economic benefits that are associated with the investment property will flow to the Group and the cost of the asset can be measured reliably.

Investment properties consist of land in various locations. Land is initially recognized at cost and subsequently carried at cost less any impairment losses. Land is not depreciated.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation and commencement of an operating lease to another party. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sell.

For a transfer from investment property to owner-occupied property or inventories, the deemed cost of property for subsequent accounting is its carrying amount at the date of change in use. If the property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Investment property is derecognized when it has either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal. Gains or loss on derecognition of an investment property is calculated as the difference between any disposal proceeds and the carrying amount of the related asset and is recognized in profit or loss in the year of derecognition.

Impairment of non-financial assets

Non-financial assets that have an indefinite useful life, such as land, are not subject to amortization and are tested annually for impairment. Other non-financial assets, mainly property, plant and equipment, computer software, investment properties, input VAT, investment in associate and leasehold rights, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Impairment losses, if any, are recognized in profit or loss as part of general and administrative expenses.

When impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount should not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. Reversals of an impairment loss are credited to the provision account in profit or loss.

Trade and other payables

Trade and other payables are recognized in the period in which the related money, goods or services are received or when a legally enforceable claim against the Group is established or when the corresponding assets or expenses are recognized. These are classified as current liabilities if payment is due within one year or less. If not, these are presented as non-current liabilities.

Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost using effective interest method.

These are derecognized when extinguished or when the obligation is discharged, cancelled, or has expired.

Borrowings and borrowing cost

a. Borrowings

Borrowings are measured initially at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Borrowings are derecognized when the obligation is settled, paid or discharged.

A substantial modification of the terms of an existing financial liability or a part of it shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Where the terms of a financial liability are modified, a gain or loss is recognized in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate. If the modification of the terms of borrowings is accounted for as an extinguishment, any costs or fees incurred are recognized as part of the gain or loss on extinguishment. If the modification of the terms of borrowings is not accounted for as an extinguishment, any cost or fees incurred adjust the carrying amount of the liability and are amortized over the remaining term of the modified liability.

Where the terms of the borrowings are renegotiated, a gain or loss is recognized in the profit or loss, which is measured as the difference between the carrying amount of the financial liability and the

b. Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset, if any, are capitalized during the period of time that is required to complete and prepare the asset for its intended use.

All other borrowing costs are recognized in profit or loss in the period in which these are incurred.

Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognized for future operating losses.
Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed and derecognized from the consolidated statement of financial position..

Current and deferred income tax

The tax expense for the year comprises deferred tax. Tax is recognized in profit or loss, except to the extent that that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax (DIT) is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, DIT is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. DIT is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related DIT asset is realized or the DIT liability is settled.

DIT assets are recognized for all deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

DIT liabilities are recognized in full for all taxable temporary differences, except to the extent that the DIT liability arises from the initial recognition of goodwill. DIT liabilities are provided on taxable temporary differences arising from investments in subsidiaries and associates, except for DIT liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally, the Group is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference not recognized.

DIT assets are recognized on deductible temporary differences arising from investments in subsidiaries and associates only to the extent that it is probable that the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilized.

Specifically, DIT is provided on the temporary difference between the carrying amount of the revalued property, plant and equipment and its tax base. Any taxable temporary difference reflects the tax consequences that would follow from the recovery of the carrying amount of the asset through sale (non-depreciable assets) and through use (depreciable assets), using the tax rate applicable to the taxable amount derived from the sale of a non-depreciable capital or ordinary asset or the tax rate applicable during the years the asset is utilized.

DIT assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the DIT assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

The Group re-assesses at each reporting date the need to recognize a previously unrecognized DIT asset, if any.

DIT assets and liabilities are derecognized when the related temporary difference are realized or settled.

Employee benefits

The Group provides short-term, retirement and terminal benefits to its employees. The Group did not grant any stock options or share based payments to its officers and employees.

a. Other short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

b. Retirement benefit obligations

Defined benefit plans are defined as an amount of retirement benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognized in respect of defined benefit retirement plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, if any. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related retirement obligation.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in unrestricted earnings in the period in which these arise.

Past service costs are recognized immediately in profit or loss.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in personnel cost (Note 18) in profit or loss.

c. Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognizes costs for a restructuring that is within the scope of PAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

<u>Share capital</u>

Common shares, recognized at par value, are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds, net of tax.

When the shares are issued 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 Group, 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.

Where any member of the Group purchases the Group's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Group's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Group's equity holders.

Retained earnings

Retained earnings represent the accumulated profit or loss arising from the operations of the Group and reserves for remeasurement on retirement benefit obligation less any dividends declared by the Parent Company.

Appropriation of retained earnings is recognized based on the provisions of the Corporation Code of the Philippines and by approval of the Parent Company's BOD. The Parent Company's BOD releases retained earnings from the appropriation when the purpose of such appropriation has been completed.

Dividend distribution

Dividend distribution to the Parent Company's shareholders is recognized as a liability in the consolidated financial statements in the period in which the dividends are approved by the Parent Company's BOD.

Foreign currency transactions and translation

a. Functional and presentation currency

Items included in the consolidated financial statements of the Group are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The consolidated financial statements are presented in Philippine Peso, which is the Parent Company's functional and presentation currency.

b. Transactions and balances

Foreign currency transactions are translated into Philippine Peso using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss. All foreign exchange gains and losses except for foreign exchange loss on borrowings are presented in profit or loss within other income (expense), net. Foreign exchange gains and losses from borrowings are presented as part of finance cost in profit or loss.

c. Subsidiary

The results and financial position of the subsidiary, (which has no currency of a hyperinflationary economy), that has a functional currency different from the presentation currency are translated into the presentation currency as follows:

i. Assets and liabilities for each statement of financial position presented are translated at the closing rate at the reporting date;
ii. Income and expenses for each statement of income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
iii. All resulting exchange differences are recognized as cumulative translation differences as a separate line item under equity.

As at March 31, 2022, cumulative loss on translation differences recognized in equity amounted to P173,449.

Revenue recognition

Revenue is measured based on the consideration specified in a contract with customer. The Group recognizes revenue when it transfers control over service to a customer.

a. Sale of services

The Group provides (i) harbor assistance, (ii) lighterage services (iii) towing services and (iv) salvage income. These services are provided on a time-basis or as a fixed-price contract, net of any subsequent discounts. Discounts are considered as part of the transaction price when granting such is highly probable. Contract terms of services are generally range from less than a year. Revenue from providing services is recognized in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognized based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously.

b. Revenue on generation and sale of solar energy

The Group is engaged in the generation and sale of solar energy. Revenue is recognized monthly based on the transmission of solar energy to its sole customer. Revenue is recognized when the solar energy is delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. Revenue is also recognized based on the price agreed with the costumer and is only recognized to the extent that it is probably that a significant reversal will not occur. No element of financing is deemed present as the sale are made with a credit of ten (10) to 15 days.

c. Revenue/Income on construction contracts

combination of assets that are closely interrelated or interdependent in terms of their design and function or their ultimate purpose or use.

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognized over the period of the contract by reference to the stage of completion. Contract costs are recognized as expenses by reference to the stage of completion of the contract activity at the end of the accounting period.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable.
Variations in contract work, claims and incentive payments are included in contract revenue to the extent that may have been agreed with the customer and are capable of being reliably measured.

The Group uses the ‘percentage of completion method’ to determine the appropriate amount to recognize in a given period. The stage of completion is measured by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. These are presented as inventories, prepayments or other assets, depending on their nature.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized immediately in profit or loss as part of cost of construction contracts, with a corresponding credit to allowance. The amount of such loss is determined irrespective of whether or not work has commenced on the contract, the stage of completion of contract activity, or the amount of profits expected to arise on other contracts, which are not treated as a single construction contract.

Changes in contract performance, contract conditions and estimated profitability, including those arising from contract penalty provisions and final contract settlements which may result in revisions to estimated costs and gross margins will be recognized in the year in which the changes are determined.

Progress payments received under the construction contracts are deducted from contract assets as the contract is completed. Progress payments received before corresponding work has been performed (or in excess of percentage of completion) are presented as advances from customers under trade and other payable in the consolidated statement of financial position.

The Group recognizes on a net and gross basis when it satisfies its promise to facilitate the service over a period of time when it is not a principal in a contract and acting as the principal in a contract, respectively. The Group is not the principal for construction contracts, wherein the Group does not control the service before it is transferred to a customer and the Group is also is not solely responsible for the service and discretion in establishing contract prices.

d. Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

e. Contract assets and liabilities

Services are normally billed to the customer one month in advance. The customer pays the fixed amount based on the billing. If the performance obligations fulfilled by the Group exceed the total payments received to date, a contract asset is recognized. If the total payments received to date exceed the performance obligation fulfilled, a contract liability is recognized and is presented as unearned revenue. The contract assets are transferred to receivables when the Group's rights to the contract consideration become unconditional. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Other income

a. Interest income

Interest income is recognized in profit or loss on a time-proportion basis using the effective interest method. Interest income from cash in banks and short-term placements is presented net of final taxes paid and withheld.

b. Dividend income

Dividend income is recognized in profit or loss when the right to receive payment is established.

Costs and expenses

Costs and expenses are recognized:

i on the basis of a direct association between the costs incurred and the earning of specific items of income;
ii on the basis of systematic and rational allocation procedures (i.e. when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined); or
iii immediately and as incurred (i.e. when an expenditure produces no future economic benefits or when, and to the extent that future economic benefits do not qualify, or cease to qualify, for recognition in the consolidated statement of financial position).

Costs and expenses are presented in the profit or loss according to their function.

Leases where Group is a lessee

Assets and liabilities arising from a lease are initially measured on a present value basis. The interest expense is recognized in the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

a. Measurement of lease liabilities

Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for the Group's leases, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received,
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held for entities which do not have recent third party financing, and
- makes adjustments specific to the lease (i.e. term, currency and security).

Lease payments are allocated between principal and interest expense. The interest expense is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

b. Measurement of right-of-use assets

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use assets are depreciated over the underlying asset's useful life.

c. Extension and termination options

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is revised only if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

d. Short-term leases and leases of low-value assets

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in the profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

Earnings per share

a. Basic

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Parent Company by the weighted average number of common shares in issue during the year, excluding common shares purchased by the Parent Company and held as treasury shares. In a capitalisation or bonus issue or a share split, common shares are issued to existing shareholders for no additional consideration. Therefore, the number of common shares outstanding is increased without an increase in resources. The number of common shares outstanding before the event is adjusted for the proportionate change in the number of common shares outstanding as if the event had occurred at the beginning of the earliest period presented.

b. Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of common shares outstanding to assume conversion of all dilutive potential common shares. The Parent Company has two possible categories of dilutive potential common shares: convertible debt and share options. The Parent Company has no convertible debt nor share options as at March 31, 2022 and December 31, 2021.

Related party relationships and transactions

Related party relationship exists when one party has the ability to control, directly, or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationship also exists between and/or among entities which are under common control with the reporting enterprise, or between and/or among the reporting enterprise and its key management personnel, directors, or its shareholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

3. Significant Accounting Judgments, Estimates and Assumptions

In preparing the Group's consolidated financial statements, management has made its best estimates and judgments of certain amounts, giving due consideration to materiality. The estimates and assumptions used in the accompanying consolidated financial statements are based upon management's evaluation of the relevant facts and circumstances as at the date of the consolidated financial statements. The resulting accounting estimates will, by definition, seldom equal the related actual results.

These estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

As at March 31, 2022, there were no judgments, seasonal or cyclical aspects that materially affect the operations of the Group.

4. Cash and cash equivalents

Cash and cash equivalents consist of:

	March 31, 2022	December 31, 2021
Cash on hand	2,078,466	2,077,635
Cash in banks	228,851,698	134,147,389
Cash equivalents	129,824,495	127,738,481
	360,754,659	263,963,505

Interest income earned from cash in banks and cash equivalents as at March 31, 2022 and December 31, 2021 amounted to P272,705 and P108,971, respectively.

The carrying values of cash and cash equivalents represent maximum exposure to credit risk other than cash on hand. While cash and cash equivalents are also subject to the impairment of PFRS 9, the identified impairment loss was immaterial.

5. Trade and other receivables, net

Trade and other receivables, net consist of:

	March 31, 2022	December 31, 2021
Trade receivables	1,188,618,657	1,065,929,590
Advances to officers and employees	187,388,161	174,587,028
Others	4,091,162	4,054,334
	1,380,097,980	1,244,570,952
Allowance for impairment losses	(303,287,093)	(286,032,825)
	1,076,810,887	958,538,127

Trade receivables are amounts due from customers for rendering harbor assistance and other marine services and solar energy fee in the ordinary course of the business with an average credit term of 30 to 60 days.

Advances to employees represent outstanding balances with existing employees and regular collections are made through liquidation and salary deduction.

The carrying value of trade and other receivables as at March 31, 2022 and December 31, 2021 approximates its fair value as at reporting date.

Allowance for impairment

The Group applies PFRS 9 simplified approach in measuring expected credit losses (ECL) which uses a lifetime expected loss allowance for all trade receivables.

To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the inflation rate in the Philippines to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes in such rates.

Movements in the provision for impairment are as follows:

	March 31, 2022	December 31, 2021
Beginning balances	286,032,825	192,891,099
Provision for impairment of trade and other receivables	22,537,420	99,389,922
Recovery	-	(6,500,000)
Write-off	(5,283,152)	-
Cumulative translation adjustment	-	251,804
Ending balances	303,287,093	286,032,825

6. Prepayments and other current assets

Prepayments and other current assets consist of:

	March 31, 2022	December 31, 2021
Construction advances	152,436,827	149,233,639
Allowance for construction advances	(24,521,086)	(24,521,086)
	127,915,741	124,712,553
Prepayments	202,075,282	108,758,683
Input value-added tax (VAT), net	56,739,710	27,630,746
Advances to suppliers	48,333,723	40,863,926
Refundable deposits	5,031,250	3,959,971
Others	-	495,720
	440,095,706	306,421,599

Construction advances pertain to advances to suppliers, contractors and employees related to construction projects subject to liquidation.

Allowance for construction receivables pertain to uncollectible portion of uncompleted projects.

Prepayments consist mainly of hull and machinery insurance, motor car insurance, life and health insurance, fuel and charter hire of tugboats which is expected to be utilized for a period of less than a year.

Advances to supplier consist of advance payments on services to be performed within 12 months.

7. Investment in associates

Investment in associates consist of:

	Note	March 31, 2022	December 31, 2021
GETC	1.3	15,950,725	15,950,725
HEMSI	1.3	191,326,821	191,326,821
		207,277,546	207,277,546

The movements of investment in associate as at March 31, 2022 and December 31, 2021 are as follows:

	March 31, 2022	December 31, 2021
Beginning of period	207,277,546	198,030,532
Share in net profit	–	20,278,057
Dividends	–	(11,031,043)
Ending of period	207,277,546	207,277,546

GETC

The movement of investment in GETC are as follows:

	March 31, 2022	December 31, 2021
Beginning of period	15,950,725	15,242,514
Share in net profit	–	708,211
Ending of period	15,950,725	15,950,725

Set out below is the summarized financial information of GETC:

	March 31, 2022	December 31, 2021
Total current assets	11,217,254	11,217,254
Total non-current assets	102,695,301	102,695,301
Total current liabilities	14,658,943	14,658,943
Total non-current liabilities	19,499,985	19,499,985
Net assets or equity	79,753,627	79,753,627
Total revenue	–	16,711,607
Total profit for the year	–	3,625,017
Total comprehensive income	–	3,625,017

	March 31, 2022	December 31, 2021
Net assets	79,753,627	76,212,571
Profit for the year	–	3,625,017
Adjustment to equity	–	(83,961)
Net assets	79,753,627	79,753,627
Group's share in %	20%	20%
Group share in net assets	15,950,725	15,950,725

HEMSI

The movement of investment in HEMSI are as follows:

	March 31, 2022	December 31, 2021
Beginning of period	191,326,821	182,788,018
Share in net profit	–	19,569,846
Dividends received	–	(11,031,043)
Ending of period	191,326,821	191,326,821

Set out below is the summarized financial information of HEMSI:

	March 31, 2022	December 31, 2021
Total current assets	335,464,245	335,464,245
Total non-current assets	210,945,316	210,945,316
Total current liabilities	83,817,047	83,817,047
Total non-current liabilities	4,666,651	4,666,651
Net assets or equity	457,925,863	457,925,863
Total revenue	–	305,200,713
Total profit for the year	–	24,148,331
Total comprehensive income	–	24,148,331

	March 31, 2022	December 31, 2021
Net assets	617,183,296	589,668,771
Profit for the year	–	24,148,331
Dividends declared	–	(35,584,010)
Adjustment to equity	–	38,950,204
Net assets	617,183,296	617,183,296
Group's share in %	31%	31%
Group share in net assets	191,326,821	191,326,821

8. Property and equipment at revalued amounts, net

Details of property and equipment carried at revalued amounts are as follows:

	March 31, 2022	December 31, 2021
Beginning		
Revalued amount	4,091,919,051	3,655,926,803
Accumulated depreciation	(2,429,044,683)	(2,220,460,509)
Net carrying amount	1,662,874,368	1,435,466,294
Opening net carrying amount	1,662,874,368	1,435,466,294
Additions	42,713,549	145,693,766
Revaluation increments		296,854,138
Disposal		
Cost	–	–
Accumulated depreciation	–	–
Reclassification	–	(6,555,656)
Depreciation	(43,066,709)	(208,584,173)
Closing net carrying amount	1,662,521,208	1,662,874,369
Revalued amount	4,134,632,600	4,091,919,051
Accumulated depreciation	(2,472,111,392)	(2,429,044,682)
Net carrying amount	1,662,521,208	1,662,874,369

The movement of revaluation increment are as follows:

	March 31, 2022	December 31, 2021
Beginning of period	382,324,548	101,291,106
Revaluation increment of tugboats	–	296,854,138
Amortization of revaluation increment through depreciation	–	(15,820,696)
End of period, gross of tax	382,324,548	382,324,548
Deferred income tax liability (at 25%)	(95,581,137)	(95,581,137)
End of period, net of tax	286,743,411	286,743,411

Useful lives of property and equipment at revalued amounts

The Group's management determines the estimated useful lives for its property and equipment at revalued amounts based on the period over which the assets are expected to be available for use. The Parent Company annually reviews the estimated useful lives of property and equipment based on factors that include asset utilization, internal technical evaluation, technological changes, environmental and anticipated use of assets tempered by related industry benchmark information. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in factors mentioned.

An increase/decrease in the estimated useful life would impact the recorded net carrying amounts of property and equipment at revalued amounts with a corresponding increase/decrease in the profit for the year as a result of lower/higher depreciation expense charged through profit or loss.

Revaluation of tugboats

The Group carries its tugboats at appraised value, with changes in fair value being recognized directly in equity under revaluation surplus. The Group reviews the fair value of its tugboats periodically every 3 to 5 years.

The Group considers that it is impracticable to disclose with sufficient reliability the possible effects of sensitivities surrounding the estimates on recent market transactions on arm's length terms at the end of each reporting period. However, it is reasonably possible, based on existing knowledge, that changes in estimates would impact the recorded cost of services and property and equipment at revalued amount.

The Group engaged an independent valuation specialist in determining the fair value of some of its tugboats as at December 31, 2021. Management deems that the revalued amounts of tugboats not subjected to the independent appraisal in 2021 still approximate the fair value as at reporting dates with a significant number of tugboats only recently acquired at substantially comparable prices. The Group is considering revaluing the remaining of its tugboats in 2022.

9. Property, plant and equipment at cost, net

Details of property, plant and equipment are as follows:

	Land	Barges	Building and building improvements	Transportation equipment	Diving and oil spill equipment	Furniture, fixtures and leasehold improvements	Construction equipment	Construction-in-progress	Total
At December 31, 2020									
Cost	39,556,011	698,312,830	2,015,978,195	69,056,357	337,500,680	6,516,423	16,490,640	18,144,120	3,201,555,256
Accumulated depreciation	-	(425,697,720)	(179,400,171)	(53,379,255)	(190,021,475)	(5,591,093)	(10,178,076)	-	(864,267,790)
Cumulative translation adjustments	-	-	-	-	(5,600,043)	278,548	-	-	(5,321,495)
Net carrying amount	39,556,011	272,615,110	1,836,578,024	15,677,102	141,879,162	1,203,878	6,312,564	18,144,120	2,331,965,971
Year ended December 31, 2021									
Opening net carrying amount	39,556,011	272,615,110	1,836,578,024	15,677,102	141,879,162	1,203,878	6,312,564	18,144,120	2,331,965,971
Additions	-	100,482,908	-	1,409,294	20,880,576	357,114	166,773	-	123,296,665
Disposal									
Cost	-	(135,661,358)	-	(1,578,690)	-	-	-	-	(137,240,048)
Accumulated depreciation	-	120,097,852	-	1,459,509	-	-	-	-	121,557,361
Reclassification	-	6,555,656	-	-	-	-	(3,803,571)	-	2,752,085
Depreciation	-	(79,058,434)	(96,763,131)	(8,423,808)	(33,269,327)	(723,406)	(2,356,016)	-	(220,594,122)
Translation adjustments	-	-	-	-	2,720,246	5,230-	-	-	2,725,476
Closing net carrying amount	39,556,011	285,031,734	1,739,814,893	8,543,407	132,210,657	842,816	319,750	18,144,120	2,224,463,388
At December 31, 2021									
Cost	39,556,011	667,988,051	2,015,978,195	68,886,961	358,381,256	6,873,537	12,853,842	18,144,120	3,188,661,973
Accumulated depreciation	-	(382,956,317)	(276,163,302)	(60,343,554)	(223,290,812)	(6,314,499)	(12,534,092)	-	(961,602,576)
Cumulative translation adjustments	-	-	-	-	(2,879,787)	283,778	-	-	(2,596,009)
Net carrying amount	39,556,011	285,031,734	1,739,814,893	8,543,407	132,210,657	842,816	319,750	18,144,120	2,224,463,388

(Forward)

(Carryforward)

	Land	Barges	Building and building improvements	Transportation equipment	Diving and oil spill equipment	Furniture, fixtures and leasehold improvements	Construction equipment	Construction-in-progress	Total
Period ended March 31, 2022									
Opening net carrying amount	39,556,011	285,031,734	1,739,814,893	8,543,407	132,210,657	842,816	319,750	18,144,120	2,224,463,388
Additions	-	41,289,575	1,328,451	-	14,925,015	-	-	-	57,543,042
Disposal									
Cost	-	-	-	-	-	-	-	-	
Accumulated depreciation	-	-	-	-	-	-	-	-	
Depreciation	-	(17,204,559)	(24,119,093)	(2,332,217)	(6,554,488)	(184,496)	(214,142)	-	(50,608,996)
Translation adjustments	-	-	-	-	1,872,524	3,455	-	-	1,875,979
Closing net carrying amount	39,556,011	309,116,750	1,717,024,251	6,211,190	142,453,708	661,775	105,608	18,144,120	2,233,273,413
At March 31, 2022									
Cost	39,556,011	710,979,611	2,017,306,646	68,886,962	373,306,271	6,873,537	12,853,842	18,144,120	3,247,906,999
Accumulated depreciation	-	(401,862,861)	(300,282,395)	(62,675,772)	(229,845,290)	(6,498,995)	(12,748,234)	-	(1,013,913,547)
Cumulative translation adjustments	-	-	-	-	(1,007,273)	287,233	-	-	(720,038)
Net carrying amount	39,556,011	309,116,750	1,717,024,251	6,211,190	142,453,708	661,775	105,608	18,144,120	2,233,273,414

In 2019, the Group's pre-development cost from the ADGI acquisition amounting to P1.83 billion was reclassified to property, plant and equipment, upon start of ADGI's operations. Pre-development cost represents total expenditures incurred to date net of revenue from saleable material recognized during the pre-commercial production period, if any. Deduction is only appropriate if it can clearly be shown that the production of the saleable material is directly attributable to bringing the asset to the condition necessary for it to be capable of operating in the manner intended by management.

In 2019, it was assessed based on internal evaluations that they will be able to utilize the solar power plant for up to 20 years. In 2020 during its first full year of operations, ADGI management has reassessed the useful life of solar power plant. Based on internal evaluations, they will be able to utilize the solar power plant between 10 and 30 years which is also aligned with industry practice. As such, the management has approved the change in estimated useful life of solar power plant from 20 years to between 10 and 30 years.

The change in estimated useful life is considered to be a change in accounting estimate accounted for prospectively by recognizing the effect of the change in the period change and future periods until the end of the useful life. The net effect of the change in useful life is a decrease in depreciation expense amounting to P3.1 million annually starting 2020

In July 2019, ADGI started its commercial operations and recognized depreciation expense of P43.85 million in relation to the solar power plant capitalized.

In 2020, the ADGI reversed furniture and fixtures acquired in 2019 and its corresponding accounts payable amounting to P6,165 upon return of the furniture to the supplier.

Construction-in-progress as at March 31, 2022 and December 31, 2021 mainly comprise of additional office space being prepared for its intended use.

10. Computer software, net

The details of computer software, net are as follows:

	March 31, 2022	December 31, 2021
Revalued amounts:		
Beginning balance	35,901,740	32,800,931
Additions	–	3,100,809
Ending balance	35,901,740	35,901,740
Accumulated amortization:		
Beginning balance	16,484,480	9,224,903
Amortization	354,421	7,259,577
Ending balance	16,838,901	16,484,480
Net carrying amount	19,062,839	19,417,260

Management assessed that there are no indicators that computer software is impaired as at March 31, 2022 and December 31, 2021.

11. Investment properties

As at March 31, 2022, and December 31, 2021, the Group's investment properties consist of parcels of land in various locations, which are held for capital appreciation.

The movement in investment properties are as follows:

	March 31, 2022	December 31, 2021
Beginning of period	52,193,905	48,540,371
Additions	–	3,653,534
End of period	52,193,905	52,193,905

The estimated fair value of the investment properties as at December 31, 2021 and 2020 amounted to P434.5 million and P321.9 million, respectively, based on the recent selling price per square meter and land reclassification to industrial in 2017.

12. Other non-current assets, net

Other non-current assets consist of:

	March 31, 2022	December 31, 2021
Input VAT, net of output VAT	308,608,100	311,908,667
Allowance for impairment of input VAT	(67,891,945)	(67,891,945)
Input VAT, net	240,716,155	244,016,722
Leasehold rights, net	36,809,417	37,022,304
Financial asset at fair value through other comprehensive income (FVOCI)	1,816,198	1,816,198
Lease guarantee deposit	55,000	55,000
Refundable deposits	50,398	50,398
Performance bond	–	12
Others	829,093	–
	280,276,261	282,960,634

Performance bond is a security required by the contracting party to ensure completion of performance of obligation in the event that the performing party cannot fulfill its obligations, as set forth in the circular no DOE DC 2009-07-0011 Sec 16 Obligations of a Developer.

Allowance for impairment of input VAT is maintained at a level considered adequate to provide for potentially unrecoverable tax claims from excess input VAT. An evaluation of the recoverability of the excess input VAT, designed to identify potential charges to the provision, is performed on a continuous basis throughout the period. Management uses judgment based on the best available facts and circumstances, including but not limited to the evaluation of its future utilization based on long-term forecasts, in determining provision for impairment of input VAT. A change in the provision would impact the Group's recorded carrying value of input VAT and provision for impairment.

The movement in allowance for impairment of input VAT follows:

	March 31, 2022	December 31, 2021
Beginning of period	67,891,945	59,984,802
Provision for impairment	–	7,907,143
End of period	67,891,945	67,891,945

13. Trade and other payables

Trade and other payables consist of:

	March 31, 2022	December 31, 2021
Current		
Trade payables	627,338,480	333,362,461
Accrued expenses	172,758,537	252,675,786
Unearned income	11,024,570	10,957,608
Advance from officers and employees	12,837,628	12,624,281
Payable to government agencies	9,224,277	5,125,573
Provisions	10,009,100	15,765,084
Others	19,828,755	8,270,723
	863,021,347	638,781,516
Non-current		
Trade payables	26,980,393	15,248,351

Trade payables are generally noninterest-bearing and are settled in thirty (30) to ninety (90) days' term.

In 2019, the Group entered into a purchase agreement with a foreign supplier for the purchase of tugboat to be settled in twenty-four (24) monthly installment payments bearing an interest rate of 2.87%. In 2020, the terms of purchase agreement were modified by extending the monthly installments to thirty-six (36) months bearing an interest rate of 5.30%.

In 2021, the Group entered into another purchase agreement with a foreign supplier for the purchase of tugboat with an upfront payment of 50% and the remaining balance to be settled in 36 monthly installment payment bearing an interest rate of 5.25% per annum.

Accrued expenses are obligations on the basis of normal credit terms and do not bear interest. These pertain to accruals made for regular monthly fees and other various accruals. Accruals are made based on prior month's billings and/or contracts and are normally settled within twelve (12) months from the end of the reporting period. Other accrued expenses are mainly composed of outstanding payable to insurance companies and unliquidated business expenses which are expected to be settled in the subsequent year.

Accrued construction costs pertain to unliquidated expenses of employees in relation to the construction projects of the Group.

Unearned income represents advance collections from customers, which will be recognized as revenue upon the performance of the contractually agreed tasks.

Payable to government agencies consist mainly of amounts due to Social Security System, Philippine Health Insurance Corporation and Home Development Mutual Fund, withholding taxes payable to BIR that are noninterest-bearing and are settled in ten (10) to fifteen (15) days' term.

Others pertain to output VAT.

14. Short-term loans and borrowings

The outstanding short-term loans, current, and noncurrent portion long-term borrowings, and finance lease liabilities are as follows:

	March 31, 2022	December 31, 2021
Short-term loan		
Development Bank of the Philippines	522,271,500	522,271,500
Current portion of long-term borrowings		
Rizal Commercial Banking Corporation	134,139,668	134,311,607
CTBC (Philippines) Corporation	13,499,792	18,499,792
Ambank	41,770,629	16,618,468
Asia United Bank (AUB)	40,154,204	53,108,976
Philippine National Bank	25,231,420	33,897,882
Development Bank of the Philippines	2,000,000	2,233,375
Security Bank	228,450	301,395
China Banking Corporation	2,199	295,842
	257,026,362	259,267,337

	March 31, 2022	December 31, 2021
Noncurrent portion of long-term borrowings		
Development Bank of the Philippines	1,673,102,784	1,716,077,542
CTBC (Philippines) Corporation	455,641,621	455,641,621
Rizal Commercial Banking Corporation	993,411,868	1,056,932,914
Asia United Bank (AUB)	28,085,494	28,085,494
Ambank	–	27,232,670
Security Bank	328,363	328,363
Philippine National Bank	27,600,000	27,600,000
	3,178,170,130	3,311,898,605

Parent Company

On September 13, 2021, the Parent Company entered into a loan agreement with one of its director and shareholder, for a principal of JPY 55,000,000 or P24,271,500 for use as downpayment for the purchase of a tugboat. The loan bears an interest rate of 8.50% per annum and is payable quarterly starting December 13, 2021. The principal amount of the loan is payable on June 13, 2022.

On October 4, 2021, the Parent Company availed of a short-term borrowing from a local financing company amounting to P70,000,000 with 12% interest per annum. The amount borrowed was paid and settled in December 2021.

As at December 31, 2021, the Parent Company's unsecured short-term loans from local banks and from shareholder which bear interest rates ranging from 5.25% to 8.50% (2020 - 4.80% to 6.70%) and have maturity of one (1) to six (6) months from reporting date.

As at December 31, 2021, the Parent Company's long term borrowings bear annual interest rate ranging from 4.87% to 9.23% (2020 - 4.50% to 13.65%) are payable in various installments maturing on various dates from 2023 to 2030. These are secured by chattel mortgages to certain Parent Company-owned tugboats, transportation equipment and barges.

In 2020, the long-term borrowings agreements require compliance by the Parent Company to various covenants including, among others, the maintenance of financial ratios. As at December 31, 2020, the Parent Company was in the process of securing waivers for non-compliance with debt covenants. Hence, certain long-term borrowings amounting to P112,500,000 were presented as current liabilities in 2020. In 2021, the Parent Company is compliant with all its debt covenants in 2021. Consequently, borrowings were reclassified as non-current in 2021.

Both short-term loans and long-term borrowings were obtained specifically for working capital purposes and to finance capital expenditures that are non-qualifying assets.

Due to the impact of the COVID-19 pandemic and community quarantine, the Parent Company has entered into loan restructuring agreement with Rizal Commercial Banking Corporation (RCBC) and Asia United Bank (AUB) in 2020 and with Chinatrust Philippines Commercial Bank Corporation (CTBC) in 2021.

On October 16, 2020, the Parent Company availed of the Credit Assistance and Recovery (CARE) Program of RCBC. The Parent Company entered into a loan conversion agreement whereby its outstanding promissory notes amounting to P1.14 billion and term loan amounted to P146.3 million with a maturity date ranging from October 2019 to November 2020 and from March to July 2019, respectively, was converted into 57 monthly term loan of P1.291 billion with the principal amount payable in 48 monthly installments of P11.125 million starting July 15, 2021 and a balloon payment of P757 million on the 57th month on July 14, 2025. Under the loan conversion agreement, compliance with debt covenants will be effective starting 2021 upon the start of repayment. Gain on loan restructuring was not recognized as it is deemed immaterial.

On July 13, 2020, the Parent Company received the Notice of Approval of Amendments to its outstanding borrowings with AUB amounting to P142.1 million. The amendments to the borrowings include the extension of nine (9) months from original maturity date of September 27, 2022, principal amount to be repaid in 11 quarterly amortizations commencing nine (9) months from December 23, 2020 and a revised fixed interest rate of 7.5% per annum from 6.25%.

On October 7, 2021, the Parent Company entered into a loan restructuring agreement with CTBC whereby outstanding promissory notes were consolidated into one (1) promissory note with the principal amount of P477.3 million. The interest rate previously ranging from 4.88% to 7.00% was revised to three (3) month BVAL plus 3.5% per annum or a minimum of 5.25% per annum subject to quarterly repricing. The principal amount of the long term borrowing amounting to P477.3 million is to be settled in 20 quarterly payment starting January 2022 with a final balloon payment amounting to 45.53% of the principal to be settled in December 2026. A gain on debt restructuring amounting to P3,928,685 was recognized in 2021. This is considered a non-cash transaction in the statement of cash flow.

ADGI

On January 19, 2018, ADGI secured an Omnibus Loan Agreement with Development Bank of the Philippines (DBP) for a principal amount of P1.59 billion available in the form of advance term loan or Import Letter of Credit payable in 12 years, inclusive of a one (1) year and six (6) months-grace period, with the principal payable in 42 quarterly amortizations with 35% balloon payment due at maturity to commence at the end of seventh (7th) quarter from date of initial drawdown until fully paid. The loan is covered by various securities which include among others 100% ownership shares pledged, continuing deed of assignment of receivables from customers, continuing deed of assignment of rights arising from engineering, procurement and construction contracts with the DOE. The purpose of the borrowing is to finance the construction of the 26.88-megawatt solar power plant in General Santos City.

On February 12, 2020, ADGI entered into an Amendment to the Omnibus Loan Agreement with DBP and agreed on a change in repayment terms. ADGI shall repay the loan in 12 years, inclusive of two (2) years grace period, the principal payable in 40 quarterly amortizations with thirty-five percent (35%) balloon payment due at maturity to commence at the end of the ninth (9th) quarter from the date of initial drawdown until fully paid. All principal payment affected shall be re-amortized.

Due to the impact of the COVID-19 pandemic and community quarantine, ADGI has subsequently entered into a loan restructuring agreement with Development Bank of the Philippines in 2021.

In 2019, ADGI has paid a principal amount of the loan amounting to P8,794,736. In 2020, DBP has reversed the payment of principal and applied it as payment of outstanding interest. This is considered a non-cash activity.

The long-term borrowing agreement requires compliance by the Parent Company to certain various covenants including, among others, the maintenance of financial ratios after a year of commercial operations. The Parent Company shall maintain at all times a debt-to-equity ratio (DER) of not exceeding 2:1 and current ratio and debt service coverage ratio of less than one (1) as defined in the Term Loan Facility Agreement. As at December 31, 2019, the debt covenants are not yet applicable as commercial operations only started in July 2019. As at December 31, 2020, the Parent Company has substantially complied with most of the covenants except for financial ratios hence the entire balance of loan is reclassified as current in 2020.

On April 16, 2021, ADGI has entered into a loan restructuring agreement with DBP whereby its outstanding term loan with a principal amount of P1,584,900,000 payable in 40 quarterly amortization starting in July 2020 with thirty-five percent (35%) balloon payment due in April 2030, was extended with an additional two (2) year grace period payable in 43 quarterly amortization to commence on October 19, 2022, with a final maturity on April 19, 2033. Interest on the restructured loan is at a fixed rate for five (5) years based on the lender's prevailing rate at effective date renewable at the end of every five (5) years based on the then prevailing rate. In addition, the interest and other charges related to the term loan amounting to P90.20 million as at January 19, 2021 was capitalized and restructured into a five (5) year term loan with a fixed interest rate based on the lender's prevailing rate at effective date, payable quarterly to commence on October 19, 2022, with a final maturity on October 19, 2025. Under the loan restructured agreement, debt covenants exclude compliance with financial ratios. ADGI is compliant with all its debt covenants as at December 31, 2021. In 2021, a loss on debt restructuring amounting to P48,975,828 was recognized in 2021. This is considered a non-cash transaction in the statement of cash flows.

HSSC

On April 23, 2019, HSSC entered into a three (3) year loan agreement with a local bank for a principal amount of P741,071, to finance the purchase of a vehicle. The amount was drawn with a fixed interest rate of 9.22% per annum. The principal and interest amount are payable in thirty-six (36) monthly amortization commencing April 23, 2019 until maturity of the loan. The vehicle was pledged as collateral for the loan.

Peak Flag

On April 15, 2021, Peak Flag entered into a three (3) year loan agreement with a local financial institution for a principal amount of P48,645,600 or MYR 4,000,000 for working capital purposes. The amount was drawn with a fixed interest rate of 8.25% per annum. The principal and interest amount are payable in thirty-six (36) monthly amortization commencing May 15, 2021 until maturity of the loan. A tugboat was pledged as collateral for the loan.

15. Equity

As at March 31, 2022 and December 31, 2021, the Parent Company's authorized share capital amounting to P2 billion is composed of 2 billion shares with par value of P1 per share.

Movements and details of share capital are as follows:

	Number of common shares issued and outstanding	Amount		
		Share capital	Share premium	Treasury shares
At March 31, 2022 and December 31, 2021	894,586,870	907,857,870	121,632,762	(37,614,990)

On October 29, 2012, the Parent Company submitted its Registration Statement to the Philippine SEC. On October 30, 2013, the IPO of the Parent Company's shares were issued with an issue/offer price of P1.88 per share. Total shares registered and subscribed was 181.6 million shares resulting in share capital of P181.6 million and additional paid-in capital of P121.6 million net of transaction costs amounting to P24.6 million. There are no other share offering after the IPO in 2013.

On March 6, 2017, the BOD and shareholders approved to amend the Parent Company's articles of incorporation to increase its authorized capital stock from P1.5 billion to P2 billion.

Treasury shares

On September 24, 2018, the Parent Company's BOD approved the share buyback program which was implemented in various dates in 2018 and 2019. The Parent Company acquired a total of 13,271,000 treasury shares for a total amount of P37,614,990.

No shares were repurchased for the periods ended March 31, 2022 and December 31, 2021.

Earnings (Loss) per share

Basic earnings per share is calculated by dividing the net income attributable to shareholders of the Parent Company by the weighted average number of ordinary shares in issue during the period, excluding ordinary shares purchased by the Parent Company and held as treasury stocks, if any.

Total issued ordinary shares for the period has been adjusted for impact of stock split and stock dividends, if any.

Earnings (loss) per share is calculated as follows:

	Three Months Ended March 31,	
	2022	2021
Net loss attributable to the Parent Company	188,012,356	(67,005,155)
Weighted average number of common shares	894,586,870	894,586,870
Basic and diluted earnings per common share	0.21	(0.07)

The basic and diluted earnings per share are the same each for the year presented as there are no potential dilutive common shares

16. Service income, net

The components of service income, net are:

	Three Months Ended March 31,	
	2022	2021
Harbor assistance, net of discounts and rebates	308,186,454	261,323,584
Salvage income	241,615,660	59,189,075
Revenue on generation of solar power	75,775,420	71,889,720
Towing services	26,509,011	7,067,450
Construction revenue	15,874,413	–
Lighterage service	10,733,850	24,596,682
Underwater services	9,334,314	2,281,211
Other marine services	15,223,053	1,123,528
	703,252,175	427,471,250

Harbor assistance pertains to services rendered in assisting ships and other watercrafts in docking and undocking at the port.

The Group has a claim amounting to $8 million USD for the completed salvage of MV Diamond Highway in June 2019 which has been endorsed for arbitration proceedings. Accordingly, the Group recognized salvage income amounting to P29.4 million which represents the collectible portion as at reporting date based on preliminary discussions with counterparties. The hearing in September 2020 will determine final claimable amount from the vessel and cargo owners. Due to the impact of COVID-19 in 2020, the hearing was postponed to 2021. On November 19, 2021, the Group entered into a settlement agreement with the vessel owners and was able to collect a total amount of Php 39.4 million or $0.8 million on December 6, 2021. In 2021, the Group recognized an additional salvage income amounting to P10.0 million.

Others consist of income generated from diving and other underwater services, among others. The Group revenue are divided into two business segments - harbor assistance and renewable energy.

17. Cost of services

The components of cost of services are:

	Three Months Ended March 31,	
	2022	2021
Fuel and lubricants	92,772,559	50,550,048
Depreciation and amortization	88,826,922	79,597,716
Personnel costs	56,419,600	56,299,050
Outside services	27,247,818	30,288,507
Insurance	14,145,197	13,667,510
Supplies	9,783,731	19,320,541
Charter hire/rental	8,832,099	18,288,337
Direct labor	7,178,607	–
Representation and entertainment	6,178,400	14,689,595
Port expense	4,883,826	4,405,189
Repairs and maintenance	3,425,299	4,807,372
Direct materials and supplies	2,782,269	14,820,058
Transportation and travel	1,876,334	1,238,476
Taxes and licenses	943,732	1,589,272
Freshwater	303,627	565,702
Communication, light and water	260,986	760,632
Professional fees	226,259	2,241,909
Membership and registration	106,270	65,962
Others	11,361,827	498,128
	337,555,362	313,694,004

Others mainly pertain to commission, marketing expenses, donation and contribution, post, courier and handling and charges.

18. General and administrative expenses

The components of general and administrative expenses are:

	Three Months Ended March 31, 2022	2021
Personnel costs	29,498,629	31,494,751
Provision of impairment loss	22,537,420	21,511,202
Taxes and licenses	9,443,058	10,237,080
Representation and entertainment	8,125,582	6,566,888
Repairs and maintenance	6,060,198	7,709,720
Depreciation and amortization	5,799,615	29,528,715
Outside services	5,460,588	1,199,220
Transportation and travel	2,870,037	2,620,493
Insurance	2,602,827	1,962,487
Communication, light and water	1,604,148	1,489,949
Rent	1,109,320	637,744
Supplies	1,031,595	962,417
Professional and management fees	746,257	4,895,113
Commission	515,500	–
Membership and dues	394,207	288,389
Advertising and promotions	3,771	629,897
Others	996,655	989,461
	98,799,407	122,723,526

Others mainly pertain to post, courier and handling expenses and charges.

19. Retirement Costs

The Parent Company has an unfunded, non-contributory, and actuarially computed retirement benefit plan which provides a retirement benefit in accordance with the local conditions and practices in the Philippines. Under the Plan, the normal retirement age is 60 with a minimum of five years of service.

The retirement benefit obligation is determined using the “Projected Unit Credit” (PUC) method. Under the PUC method, the annual normal cost for the portion of the retirement benefit is determined as the amount necessary to provide for the portion of the retirement benefit accruing during the year. The latest actuarial valuation report of the Company prepared by the independent actuary is for the year ended December 31, 2020.

20. Related party transactions and balances

Transactions with related parties consist of noninterest-bearing advances that have no fixed repayment terms and are due and demandable. The Group’s related party transactions are as follows:

	Terms and conditions	March 31, 2022	December 31, 2021
Purchase of services			
Associate	Services rendered to the Parent Company are billed based on agreed prices. These are unsecured, non-interest bearing and are payable in cash within 30 days after invoice date.	-	31,365,575

The table below summarizes the outstanding balances with related parties:

	Terms and conditions	March 31, 2022	December 31, 2021
Advances to a related party, net of provision:			
Entity under common control	These are unsecured, non-interest bearing, due on demand and are to be collected in cash.	-	-
Officers	These are unsecured, non-interest bearing and are subject to liquidation.	77,365,252	31,854,445
Advances from related parties:			
Entity under common control	These are unsecured, non-interest bearing, due on demand and are to be paid in cash.	-	-
Officers	These are unsecured, non-interest bearing, due on demand and are to be paid in cash.	(9,514,313)	(10,889,831)

The Group has not provided share-based payments, termination benefits or other long-term benefits other than retirement benefits to its key management personnel for the periods ended March 31, 2022 and December 31, 2021.

21. Income tax expense

All the companies in the Group are subject to normal corporate income tax rate at 25% in 2021 and 30% in 2020 except for HSSC and ADGI. HSSC is registered under Republic Act No. 7227, otherwise known as Bases Conversion and Development Act of 1992, that enables it to be under Gross Income Taxation (GIT) of 5%. ADGI is registered under the Renewable Act 9531, an Act Promoting The Development, Utilization, and Commercialization of Renewable Energy Resources and For Other Purposes, that provides for fiscal incentives including income tax holiday.

Corporate Recovery and Tax Incentives for Enterprises Act (CREATE)

On March 26, 2021, Republic Act (RA) No. 11534, otherwise known as CREATE, was signed into law. Among the salient provisions of CREATE include changes to the Corporate Income Tax (CIT) as follows:

- RCIT rate of 20% (from 30%) shall be applicable to domestic corporations with net taxable income not exceeding P5 million and with total assets not exceeding P100 million (excluding land on which the business entity's office, plant and equipment are situated) from July 1, 2020;
- RCIT rate of 25% (from 30%) shall be applicable to all other domestic and foreign corporations from July 1, 2020; and
- For the period beginning July 1, 2020 until June 30, 2023, the MCIT rate shall be 1%, instead of 2%.

PAS 12, Income Taxes, requires current and deferred taxes to be measured with reference to the tax rates and laws, as enacted or substantively enacted by the end of the reporting period.

As at December 31, 2020, the CREATE bill was still pending ratification by both the Philippine Congress and Senate, and consequently pending approval of the President of the Republic of the Philippines. As such, the Company has assessed that the proposed tax law is not enacted or substantively enacted as at December 31, 2020. For financial reporting purposes, the enactment of CREATE after December 31, 2020 is deemed a non-adjusting subsequent event.

PAS 10, Events After Reporting Period, indicated the change in tax rates as one of the non-adjusting subsequent events and therefore any impact of the new tax rates if enacted on or prior to financial statement release will only be disclosed in the 2020 financial statements as a subsequent event item.

The movements in the Group's net DIT assets (liabilities) for the periods are as follows:

	March 31, 2022	December 31, 2021
Beginning of the year	(49,454,041)	33,776,867
DIT credited to profit or loss	–	(5,594,483)
DIT credited (charged) to comprehensive income	–	(77,636,425)
End of period	(49,454,041)	(49,454,041)

Income tax expense as at March 31, 2022 and December 31, 2021 are as follows:

	March 31, 2022	December 31, 2021
Current	1,062,606	5,615,023
Deferred	–	5,594,483
	1,062,606	11,209,506

22. Financial instruments, financial risk managements, objectives and policies

Fair Values of Financial Instruments

The following methods and assumptions were used to estimate the amount of fair value of each class of financial instrument for which it is practicable to estimate such value:

The Group has determined that the carrying amounts of financial assets such as cash, trade receivable, gross of allowance for impairment losses, construction receivables, gross of allowance for loss, deposit bond, advances to related parties, refundable deposits and financial assets at fair value through other comprehensive income and financial liabilities such as trade and other payables (excluding payable to government agencies, unliquidated expenses and unearned income), short-term loans and borrowings, finance lease liabilities and lease liabilities based on their notional amounts, reasonably approximate their fair values because these are mostly short-term in nature.

Financial Risk Management Objectives and Policies

The Parent Company's BOD has the overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and manage the Group's exposure to financial risks, to set appropriate transaction limits and controls, and to monitor and assess risks and compliance to internal control policies. Risk management policies and structure are reviewed regularly to reflect changes in market conditions and the Group's activities.

The main risks arising from the use of financial instruments are market risk, credit risk and liquidity risk. The Parent Company's BOD reviews and approves the policies for managing each of these risks.

Components of financial assets and liabilities

Financial assets

Group's financial assets are as follows:

	March 31, 2022	December 31, 2021
Cash	360,754,659	263,963,505
Trade and other receivables, gross*	1,188,618,657	1,065,929,590
Refundable deposit	5,031,250	4,010,369
Financial assets at fair value through other comprehensive income (FVOCI)	810,000	1,816,198
	1,555,214,566	1,335,719,662

**excluding advances to officers, employees and others subject to liquidation*

Financial liabilities

Group's financial liabilities are as follows:

	March 31, 2022	December 31, 2021
Trade and other payables	670,013,963	603,339,881
Short-term loans	522,271,500	522,271,500
Lease liabilities	36,952,828	38,603,347
Borrowings	257,026,362	3,571,165,941
	1,486,264,653	4,735,380,669

Market Risk

Market risk is the risk of loss to future earnings, to fair values or to future cash flows that may result from changes in the price of a financial instrument. The value of a financial instrument may change as a result of changes in foreign currency exchange rates and interest rates.

Foreign Currency Risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Most transactions are carried out in Philippine Peso, which is the Parent Company's functional currency. Exposures to currency exchange rates arise from the Group's overseas transactions, which are primarily denominated in United States Dollar (USD), Japanese Yen (JPY) and Malaysian Ringgit (MYR). The Parent Company also maintains

US Dollar-denominated bank accounts. Further, the Group has JPY payables from foreign suppliers, which have been used for the purchase of certain tugboats and maintains MYR bank accounts and receivables. To mitigate the Group's exposure to foreign currency risk, non-Philippine Peso cash flows are monitored on a regular basis

The fluctuation of exchange rates may result to foreign exchange gains or losses.

Price Risk

The Group is exposed to equity securities price risk because of the Group's proprietary shares in golf and country club classified as financial assets at fair value through other comprehensive income in the consolidated statement of financial position.

As at March 31, 2022 and December 31, 2021, the Group's exposure to price risk is not considered significant.

Cash flow and fair value interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial assets and liabilities will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial assets and liabilities will fluctuate because of changes in market interest rates.

The Group's financial liabilities are subject to fixed rates and are measured at amortized cost, hence not subject to repricing and independent of changes in market interest rates.

Credit Risk

Credit risk arises from cash deposited in banks and financial institutions, as well as credit exposures on amounts receivable from customers, related parties and other parties. The Group provides services only to recognized, creditworthy third parties. Individual risk limits are set based on internal ratings in accordance with limits set by the Parent Company's BOD. The utilization of credit limits is regularly monitored. In addition, the Group's receivables are monitored on an ongoing basis and stringent collection policy enforced resulting in an insignificant exposure to bad debt.

Credit Quality of Financial Instruments

The credit quality of the financial statements is classified into three: high grade, which includes instruments with insignificant risk of default based on historical experience; standard grade, which includes quoted and unquoted equity investments that can be readily sold to a third party; and substandard grade, which includes accounts with pending payment negotiations.

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's objective in managing liquidity risk is to ensure, as far as possible, that it will always have sufficient funds to meet its liabilities as they fall due, under both normal and stressed conditions, without incurring unacceptable losses or risking adverse effect to the Group's credit standing.

The Group manages liquidity risk by maintaining a balance between continuity of funding and flexibility. As part of its liquidity risk management, the Group regularly evaluates its projected and actual cash flows.

23. Capital Management

The primary objective of the Group's capital management is to safeguard the Group's ability to continue its operations on a going concern basis in order to provide adequate return to its shareholders and maintain optimal capital structure to reduce cost of capital and lessen the need to obtain long-term borrowings and maximize shareholder value.

The Group manages its capital structure and makes the adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes as at March 31, 2022 and December 31, 2021.

The Group monitors capital on the basis of the carrying amount of equity as presented in the face of the consolidated statements of financial position. The Group's goal is to manage a debt-to-equity ratio not exceeding 2:1.

As at March 31, 2022 and December 31, 2021, the Group's debt-to-equity is calculated as follows:

	March 31, 2022	December 31, 2021
Total debt	1,706,252,425	4,786,070,655
Total equity	1,477,807,907	1,246,264,054
Debt-to-equity ratio	1.15:1	3.84:1

As at December 31, 2020, the Parent Company has not complied with certain financial ratios including debt to equity and debt service cover ratio that resulted in the reclass of a portion of loans to current.

The Group computes its total debt as follows:

	March 31, 2022	December 31, 2021
Trade and other payables	890,001,735	654,029,867
Short-term loans	522,271,500	522,271,500
Borrowings	257,026,362	3,571,165,941
Lease liabilities	36,952,828	38,603,347
	1,706,252,425	4,786,070,655

The Group computes its total equity as follows:

	March 31, 2022	December 31, 2021
Share capital	907,857,870	907,857,870
Additional paid-in capital	121,632,762	121,632,762
Retained earnings (deficit) attributable to the owners of Parent Company	199,348,854	(32,194,999)
Financial asset at fair value through other comprehensive income	(160,000)	(160,000)
Treasury shares	(37,614,990)	(37,614,990)
Revaluation surplus, net of tax	286,743,411	286,743,411
	1,477,807,907	1,246,264,054

As part of the reforms of the PSE to expand capital market and improve transparency among listed firms, PSE has required listed entities to maintain a minimum of fifteen percent (15%) of their listed issued and outstanding shares to be held by public. The Group is compliant with respect to this requirement as at March 31, 2022 and December 31, 2021.

24. Contingencies

The Group is currently involved in various pending claims and lawsuits which could be decided in favor or against the Group. The information pertaining to such matters is not disclosed on the grounds that it can be expected to seriously prejudice the outcome of the litigation. The Group currently does not believe that these proceedings will have a material effect on its financial position.

SCHEDULE A

Harbor Star Shipping Services, Inc. and Subsidiaries

Financial Assets
March 31, 2022

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	Value based on market quotations at end of reporting period	Income received and accrued
Financial assets at amortized cost				
Cash on hand and in banks	-	360,754,659	-	272,705
Trade receivables	-	1,188,618,657	-	-
Refundable deposits	-	5,031,250	-	-
	-	1,554,404,566	-	272,705
Financial asset at fair value through other comprehensive income				
Investment in Short Term Fund - BDO	8,998	1,006,198		
Investment in golf shares- Rancho Palos Verdes Golf and Country Club	-	810,000	-	-
Total	8,998	1,556,220,764	-	272,705

SCHEDULE B

Harbor Star Shipping Services, Inc. and Subsidiaries

Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders
(Other than Related Parties)
March 31, 2022
(All amounts in Philippine Pesos)

Name of designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written-off	Current	Balance at end of the period
Bella, Geronimo Dela Paz (President)	17,920,052	1,650,000	(150,000)		19,420,052	19,420,052
Bella, Ricardo Rodrigo Dela Paz (Vice President)	8,793,866	300,000			9,093,866	9,093,866
Bella, Virginia May Dela Paz (Corporate Secretary)	(15,844)	500,000	(200,000)		284,156	284,156
Caranzo, Lorenzo Cabanlit (Director)	3,000,712		(255,357)		2,745,355	2,745,355
Refil, Elionarda Liu (Director)	(25,830)				(25,830)	(25,830)
Rodriguez, Ignatius Alafriz (Corporate Secretary)	2,181,489				2,181,489	2,181,489
	31,854,445	2,450,000	(605,357)		33,699,088	33,699,088

SCHEDULE C

Harbor Star Shipping Services, Inc. and Subsidiaries

Amounts Receivable from Related Parties which are eliminated
during consolidation of financial statements
March 31, 2022
(All amounts in Philippine Pesos)

Name of designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written-off	Current	Balance at end of the period
Advances to related parties						
Peak Flag SDN BHD	215,204,055	-	-	-	215,204,055	215,204,055
Astronergy Development Gensan Inc.	352,409,629	6,349,107	-	-	358,758,736	358,758,736
Astronergy Development F1, Inc.	348,727	649	-	-	349,376	349,376
Astronergy Development F2, Inc.	353,306	649	-	-	353,955	353,955
Harbor Star Subic Corp.	212,907,846	-	(2,393,566)	-	210,514,280	210,514,280
Harbor Star Energy Corporation	626,607,489	5,065,327	-	-	631,672,816	631,672,816
Harbor Star Construction Corporation	525,755	18,569	-	-	544,324	544,324
Harbor Star East Asia (Myanmar) Ltd.	2,264,824	-	(1,099,079)	-	1,165,745	1,165,745
	1,410,621,631	11,434,301	(3,492,645)	-	1,418,563,287	1,418,563,287

SCHEDULE D

Harbor Star Shipping Services, Inc. and Subsidiaries

Long-term Debt
March 31, 2022

Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption “current portion of long-term debt” in related statement of financial position	Amount shown under caption “long-term debt” in related statement of financial position”	Notes
Bank borrowings	1,675,102,784	2,000,0000	1,673,102,784	DBP restructured cash loan, interest at 6.00% per annum, interest and principal amortization payable quarterly starting October 2022, matures on April 19, 2033. Amounts classified as current and non-current portion include balance of premium on loans amounting to P 43,208,133 as a result of debt restructuring during 2021. DBP capitalized accrued interest, interest at 6.00% per annum, interest and principal amortization payable quarterly starting October 2022, matures on October 19, 2025.
Bank borrowings	152,981,049	25,231,420	27,600,000	PNB cash loans, interest at 8% per annum, various maturities in 2023. PNB car loan, interest at 9.23% per annum, interest and principal amortization payable monthly, matures on April 2022
Bank borrowings	320,000,000	40,154,204	28,085,494	AUB cash loan, interest at 7.50% per annum, interest and principal amortization payable quarterly, matures on June 26, 2023
Bank borrowings	4,200,000	2,199	-	CBC cash loans, interest rate of 8.5%, maturity on June 6, 2022
Bank borrowings	750,000,000	13,499,792	455,641,621	CTBC restructured cash loans, interest at 5.25% per annum subject to quarterly repricing, interest and principal amortization payable quarterly starting January 2022, matures on December 2026
Bank borrowings and financial institution	54,726,300	41,770,629	-	Ambank cash loan, MYR500,000 (or PHP6,080,700) term loan with interest at 6.70% interest and principal amortization payable monthly from initial drawdown, matures in September 2027
Bank borrowings	1,753,048,971	134,139,668	993,411,868	RCBC cash loan, interest at 7.50% per annum, interest and principal amortization payable quarterly, matures on July 2025. RCBC car loan, interest rates ranging from 8.26% to 9.22% per annum, interest and principal amortization payable monthly, various maturities from 2022 to 2024. Orix cash loan, MYR5,000,000 (or PHP48,645,600) term loan with interest at 8.25%, interest and principal amortization payable monthly from initial drawdown, matures in April 2024
Bank borrowings	906,400	228,450	328,363	SBC car loan, interest at 8.60% per annum, interest and principal amortization payable monthly, matures on December 2023
Lease liabilities	43,010,328	5,343,117	31,609,711	DBP Leasing, interest at 6% per annum, for 10 years, matures on Sep 15, 2024
	4,753,975,832	262,369,479	3,209,779,841	

SCHEDULE E

Harbor Star Shipping Services, Inc. and Subsidiaries

Indebtedness to Related Parties
(Long-term Loans from Related Companies)
March 31, 2022

Name of related party	Balance at beginning of period	Balance at end of period
NONE		

SCHEDULE F

Harbor Star Shipping Services, Inc. and Subsidiaries

Guarantees of Securities of Other Issuers
March 31, 2022

Name of issuing entity of securities guaranteed by the Group for which this statement is filed	Title of issue of each class of securities guaranteed	Amount owned by person for which statement is filed	Nature of guarantee
NONE			

SCHEDULE G

Harbor Star Shipping Services, Inc. and Subsidiaries

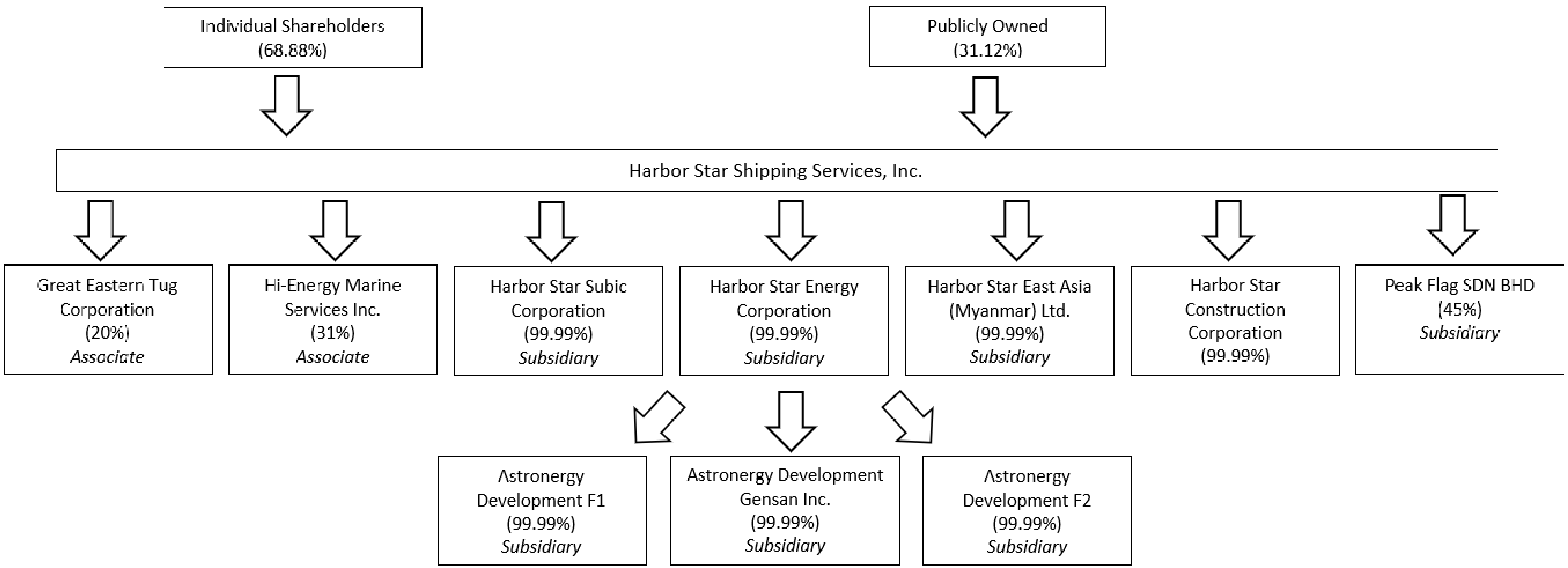
Share Capital
March 31, 2022

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under statement of financial position caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by		
				Related parties	Directors, officers and employees	Others
Common stock - P1 par value	2,000,000,000	894,596,870	-	-	616,191,436	278,395,434

Annex 68-H

Harbor Star Shipping Services, Inc. and Subsidiaries
2224 A. Bonifacio St., and Pres. Sergio Osmeña
Bangkal, Makati City

A Map Showing the Relationships between and among the Parent Company and its
Subsidiaries and Associate
March 31, 2022



Annex 68-C

Reconciliation of Parent Company's Retained Earnings Available for Dividend Declaration
For the period ended March 31, 2022
(All amounts in Philippine Peso)

Unappropriated retained earnings, January 1, 2021		85,933,362
Net income based on the face of the unaudited financial statements		179,263,726
Less:	**Non-actual/unrealized income net of tax**	
	Equity in net income of associate/joint venture	-
	Unrealized foreign exchange gain - net (except those attributable to cash)	-
	Unrealized actuarial gain	-
	Fair value adjustment (M2M gains)	-
	Fair value adjustment of Investment Property resulting to gain	-
	Adjustment due to deviation from PFRS/GAAP-gain	-
	Other unrealized gains (losses) or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	-
Add:	**Non-actual losses**	
	Depreciation on revaluation increment (after tax)	-
	Adjustment due to deviation from PFRS/GAAP – loss	-
	Loss on fair value adjustment of available-for sale financial assets (after tax)	-
Profit actually earned/realized during the year		265,197,088
Add:	**Release of retained earnings appropriation**	-
Less:	**Treasury shares**	-
	Stock dividends declared during the year	-
	Cash dividends declared during the year	-
Unappropriated retained earnings, March 31, 2022		265,197,088

Harbor Star Shipping Services, Inc. and Subsidiaries

Aging of Trade and Other Receivables, net
March 31, 2022

	Neither past due nor impaired	Past due but not impaired				Impaired	Total
		1-30 days	31-60 days	61-90 days	Over 90 days		
Trade receivables	132,180,191	91,190,782	70,118,597	45,407,499	849,721,588	(303,287,093)	885,331,564
Advances to officers and employees	89,946,314	20,612,698	10,353,112	2,588,279	63,887,758	-	187,388,161
Others	3,905,007	-	-	-	186,154	-	4,091,162
	226,031,512	111,803,480	80,471,709	47,995,778	913,795,500	(303,287,093)	1,076,810,887