HARBOR STAR SHIPPING SERVICES, INC.

25 Years

Integrated Annual and Sustainability Report
2023

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Company Profile

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 and energy.

In terms of 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, Subic, and Zamboanga.

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

In 2014, Harbor Star through its subsidiary, Peak Flag Sdn. Bhd. ("Peak Flag") became the first Filipino tugboat company to operate in Malaysia. Under a service contract, its tugs provide harbor assist and ship-to-ship transfer operations in Malacca, Malaysia.

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 a 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 t 100% shareholdings of ASTRONERGY Development Gensan Inc. ("ADGI"), and 100% of ADGI's subsidiaries, ASTRONERGY Development F1, Inc. ("ADF1") and ASTRONERGY Development F2, Inc. ("ADF2") 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 April 2021, the SEC issued the certificate of incorporation of Harbor Star Construction (“HSCC”). HSCC is a wholly owned subsidiary of Harbor Star.

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 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 on 02 August 2021 in Sulangan Island in Guiuan town, Eastern Samar.

Harbor Star and T&T continued to coordinate with the Philippine Coast Guard (“PCG”) 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.

In January 2022, Harbor Star was hired by ILA Adventures, Inc. to salvage the yacht M/Y Infiniti which ran aground in Cebu on 16 December 2021 due to Typhoon “Odette”.

In February 2022, Harbor Star was hired by the owners of M/V Sunny Link for the safe grounding, oil spill response, and bunker removal of the said vessel, which suffered heavy mid-ship damage while on her voyage to China.

Likewise, in March 2022, the cargo owners separately hired Harbor Star to arrange the transfer of 471 steel slabs from the Vessel to another vessel for the safe delivery of the cargo to China.

Also in February 2022, Harbor Star was hired by the Owners of vessel Scorpio Honor, which was fully laden with nickel ore, to refloat the vessel after she ran aground in Quezon, Palawan.

In April 2022, Harbor Star was hired by Sub-See Philippines, Inc. for the wreck removal of vessels Yume and Wakaseto which capsized at Pier 3, due to Typhoon Odette.

In October 2022, Peak Flag, took delivery of M/T Izar at Port Klang, Malaysia. The 48-ton bollard pull rated tugboat was acquired by Peak Flag from Japan to meet the current market demand for harbor tugs in Malaysia. M/T Izar joins Peak Flag's fleet of 3 other tugs, which are already on time charter with major ports and clients in Malaysia.

On 07 March 2023, Harbor Star was hired by the owners of the M/V Princess Empress for the deployment of manpower and resources for shoreline clean-up and oily waste disposal, after it sank on 28 February 2023, while en route from Bataan to Iloilo. The vessel was carrying 800,000 liters of industrial oil before it sank.

In October 2023, the SEC approved the incorporation of Kaibuok Star Shipyard Inc. ("KSSI"), where Harbor Star bought 30% of KSSI's capital stock, while Malaysian company Kaibuok Shipyard (M) Sdn. Bhd. subscribed and paid for 70% equity.

In November 2023, Harbor Star signed a Memorandum of Agreement with the Provincial Government of Ilocos Norte (“PGIN”) to commit to the Bislak River Restoration Project, covering 1.5 km of river mouth and navigational access. It covered 26 km of the Bislak River Dredging Zone, including five sites.

In December 2023, Harbor Star continued its market dominance rendering its core competence of harbor assist by assisting 5,207 foreign vessels and 2,916 domestic 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.

Subsidiaries

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 deployed two (2) vessels, M/T Lucida and M/T Zaniah, to service 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 SEC 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. ("ADF1") and ASTRONERGY Development F2, Inc. ("ADF2") The said acquisitions allowed Harbor Star, through HSEC, to own and control a 25 MW solar power plant project, with an option to expand to 75 MW, in General Santos City.

As of 31 December 2023, ADGI had delivered 23,050,690 KWh of electricity to SOCOTECO II.

Harbor Star owns 99.9% of HSEC.

Harbor Star Construction Company

On 23 April 2021, the SEC issued the certificate of incorporation of Harbor Star Construction("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.

Harbor Star owns 100% of HSSC.

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.

In August 2022, the contract of Pollux was renewed by Westports Malaysia for another three plus two (3+2) years.

Subsequently, on 10 September 2022, M/T Mirzam was awarded a one (1) year contract from Penang Port.

In October 2022, Peak Flag Sdn Bhd, took delivery of M/T Izar at Port Klang, Malaysia. The 48-ton bollard pull rated tugboat was acquired by Peak Flag from Japan to meet the current market demand for harbor tugs in Malaysia.

Harbor Star owns a 45% stake at Peak Flag.

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., a wholly owned subsidiary of Harbor Star, 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 was 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.

Kaibuok Star Shipyard Inc.

On 23 February 2019, the SEC issued the certificate of incorporation of Kaibuok Star Shipyard Inc. (KSSI), with Harbor Star subscribed to 30% of the issued and outstanding capital stock, while 70% was subscribed and paid up by Kaibuok Shipyard (M) Sdn. Bhd., a company organized and existing in Malaysia.

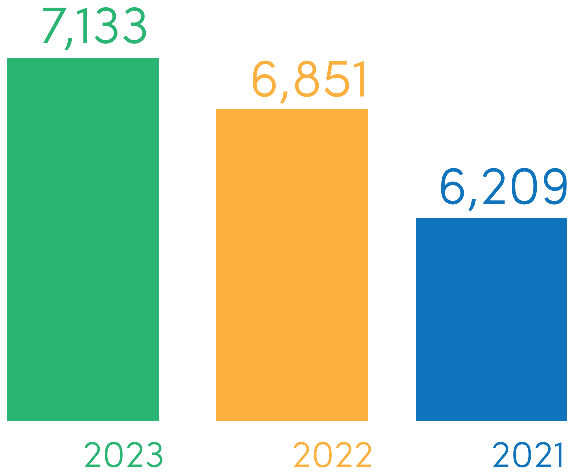
KSSI's primary purpose is to build, construct, fabricate, repair, own, manage, operate, maintain, buy, sell, or otherwise deal in with ships, vessels, boats, and marine structures of every kind and nature, graving docks, drydocks, floating docks, various land, and other structures and other conveniences for building, repairing, or docking of ships and other vessels for building and repairing marine and other land structures.

Financial Highlights

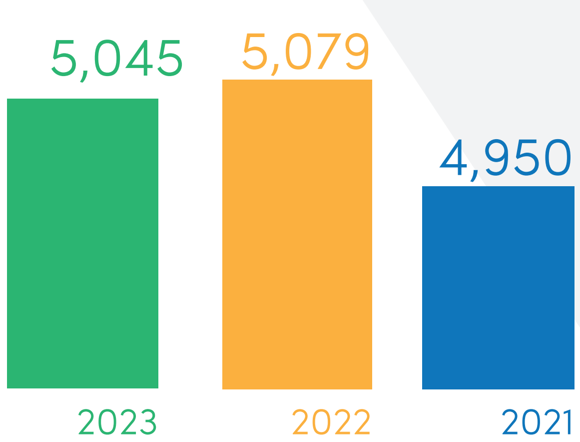
Net Revenue (In Million Pesos)

Total Expenses (In Million Pesos)

Total Assets (In Million Pesos)

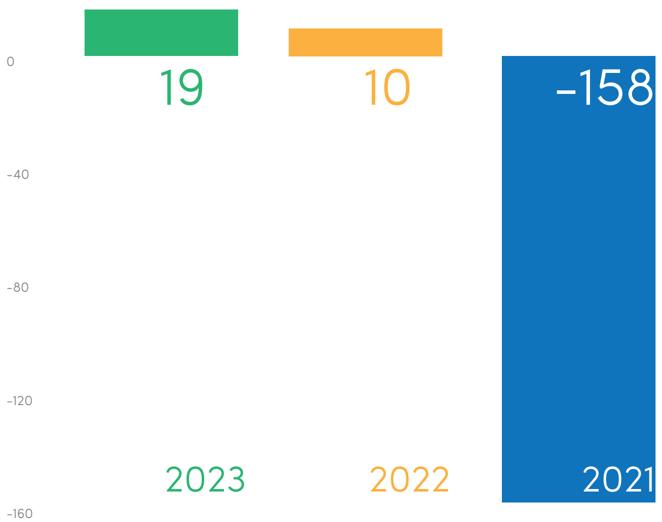


Total Liabilities (In Million Pesos)

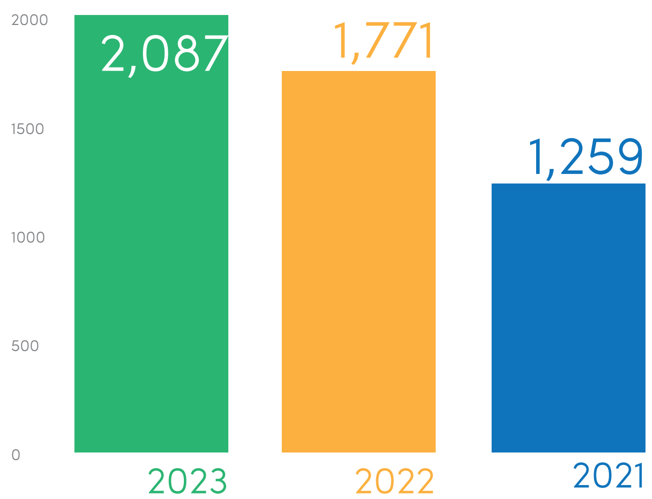


EBITDA (In Million Pesos)

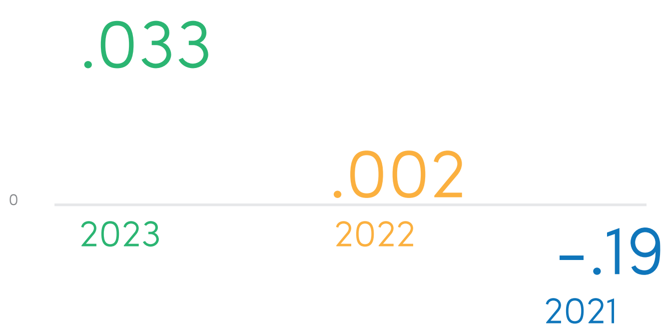
Net Income (In Million Pesos)



Total Equity (In Million Pesos)



Earnings per Share (in Pesos)



Mission • Vision • Values

HARBOR STAR SHIPPING SERVICES, INC. 25 Years

HARBOR STAR ENERGY CORP

ASTRONERGY DEVELOPMENT GENSAN, INC.

PEAK FLAG

HARBOR STAR SUBIC CORPORATION

COMPANY VISION

To Provide Sustainable Solutions Across the Seas and Beyond.

Increase Revenue	Rationalize Expenses	Improve Return on Asset Ratio

Market Penetration	Product Development	Diversification	Joint Venture

MISSION

At Harbor Star, we make every effort to protect lives, assets and safeguard the environment for the well-being of our families and future generations.

We stay current by creating sustainable and diverse services that provide added value to our stakeholders, transcending geographical limitations.

Together, we serve our customers safely, efficiently and exceptionally, embodying the distinctive attributes of Filipinos.

VISION

- **I** INNOVATIVE > We challenge the status quo
- **M** MALASAKIT > We genuinely care.
- **P** PROACTIVE > We think ahead.
- **R** RELIABLE > We are dependable to make things happen
- **E** EXCELLENCE > We rise above the rest.
- **S** SERVICE-ORIENTED > We exceed customer expectations.
- **S** SUSTAINABLE > We are resilient and responsive to emerging trends.

Message to Our Stockholders

Geronimo P. Bella, Jr. • Chairman of the Board and President

Fellow Shareholders,

I am pleased to report on the strong operational results of Harbor Star Shipping Services, Inc. for the year 2023. Despite persisting global market challenges, Harbor Star has successfully maintained its industry leadership and competitive advantages through its unwavering commitment to excellence.

As the Company celebrated its 25th anniversary in 2023 and its 10th year as a listed company at the Philippine Stock Exchange, it has overcome industry headwinds to emerge as a beacon of reliability and innovation.

The year that passed saw the Company provide even more efficient tugboat services, successfully integrate new technology into its operations, and increase the number of ships served to 8,123 in 2023 – all while maintaining its triple ISO certification along the way.

Harbor Star's financial performance also remained robust, with its aggregated net revenues of PHP2.7 billion, translating to a net income of PHP19 million. The Company generated PHP342 million in operating profit in 2023.

A significant contributor to Harbor Star's profitability was its oil spill response services, which grew from PHP134 million in 2022 to PHP488 million in 2023. Harbor assistance revenues also increased to PHP1.784 billion in 2023 from PHP1.537 billion in the previous year.

Harbor Star maintained its industry leadership in tugboat services throughout 2023, commanding a significant 51% market share and making up 83% of the Company's revenues. The strategic positioning of its tugboats all over the Philippines has created a support network across the country that is capable of faster emergency response and efficient delivery of a wide range of marine services.

As of end 2023, Harbor Star maintains 48 tugboats in the Philippines and five (5) in Malaysia. It has seven (7) barges, and three (3) other vessels. The Company operates 63 vessels servicing 170 ports in the Philippines, of which twelve (12) are base or hub ports.

Harbor Star's commitment to excellence is demonstrated by its triple ISO certification (ISO 9001, ISO 14001, and ISO 45001), which reflects the Company's adherence to rigorous international standards and a dedication to quality, environmental sustainability, and occupational health and safety.

Building on these milestones and achievements, Harbor Star has embarked on several transformative projects, each contributing to the Company's overarching goal of redefining maritime solutions standards.

From the expansion of hub ports in Zamboanga to the acquisition of an additional tugboat by Peak-Flag Malaysia, Harbor Star's strategic initiatives have expanded its presence in key maritime hubs and diversified its fleet and equipment – positioning the Company for sustained growth moving forward.

Technological integration has been at the forefront of Harbor Star's endeavors, with the adoption of System Application & Product (SAP) and System Simulators revolutionizing operational efficiency and service delivery. By harnessing the power of cutting-edge technology, the Company has optimized resource utilization, enhanced the customer experience, and set new benchmarks of excellence in the industry.

The implementation of simulators for crew training has furthermore resulted in several efficiency gains, potentially decreasing crew operational errors and resulting in shorter turnaround times and financial savings for the organization. Moreover, utilizing a data processing system like SAP has enabled the Company to better manage processes for various aspects of its operations, ensuring seamless coordination and enhanced decision-making capabilities.

Harbor Star's commitment to digital transformation, including the introduction of an online booking platform for tugboat services, has also produced positive results by streamlining the booking process and facilitating real-time monitoring and allocation of resources – thereby ensuring prompt and efficient service delivery to valued clients.

Industry challenges, such as increasing market competition, fluctuating fuel prices, and geopolitical disputes, will remain. Through all of these, Harbor Star has led the way with resilience and adaptability and a proactive approach to mitigating risks.

By implementing cost-reduction measures such as purchasing fuel in bulk and optimizing operations, the Company has been able to offset the impact of high fuel prices and enhance its competitive edge in the market. Additionally, strategic investments in port services, oil spill response, and salvage operations have further positioned Harbor Star as a trusted partner in addressing critical maritime challenges and emergencies.

As the Company looks towards the future, innovation remains at its core. By investing in talent development, fostering strategic partnerships, and embracing digitalization, Harbor Star will remain the standard when it comes to maritime solutions in the Philippines.

I would like to thank all our stakeholders for your continued trust and support as we constantly build on our strengths and create an even more dynamic organization that not only serves the maritime industry but aids in nation building as well.

Geronimo P. Bella, Jr.

Geronimo P. Bella, Jr.
Chairman of the Board and President

Operational Highlights

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 for having the widest area of coverage of tug services in the Philippine archipelago.

As of 31 December 2023, Harbor Star, including its domestic subsidiaries and affiliates, had established operations in twelve (12) base ports all over the country, providing services to approximately eight thousand one hundred twenty-three 8,123 ships as of yearend 2023. The major ports that the Company services include: the Manila International Container Terminal ("MICT"), Manila South Harbor, Bataan, Batangas, Cagayan de Oro ("CDO"), Cebu, Davao, and Iloilo.

The Company maintains and manages a fleet of forty-eight (48) domestically and five (5) internationally classed tugboats; seven (7) barges; one (1) Landing Craft Tank (LCT); one (1) Dredger and one (1) other marine vessel. The company has a total of sixty-three (63) vessels.

The Impact of COVID-19 Pandemic

In 2023, the state lifted the state of public health emergency throughout the Philippines due to COVID-19. Even though most containment measures have been relaxed and businesses have reopened, new virus variants are still possible. Most economies have opened, the prevalent problem at the moment is the rising geopolitical issues, especially in the Middle East produced cascading effects on the economy already afflicted by the pandemic. This caused an unprecedented increase in inflation and fuel prices that slowed economic and business recovery which continues to affect the shipping industry significantly. Foreign vessel calls have remained volatile to international shipping lines lessening their vessel calls and/or consolidating their calls with other shipping lines due to a lack of cargo.

Furthermore, China witnessed a notable resurgence in economic growth in 2023; nevertheless, its full potential was limited by uneven recuperation and external factors, including global deceleration. The year presented a chance to adjust to a post-COVID-19 society as the government implemented measures to address the enduring challenges. In 2023, China's economic performance demonstrated a blend of tenacity and the intricacies inherent in navigating a global landscape in the aftermath of the pandemic. The year in question marked a turning point when the government acknowledged the imperative for adjustments to be made in order to maintain growth for a prolonged duration.

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 specialized on construction and provision of specialized marine services.

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 transform a safer workplace further and mitigate the exposure of our employees to COVID-19.

Our Services

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, Cebu 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 2023, revenues from harbor assistance amounted to PHP1,783 million, equivalent to 71% 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 2023, revenues from lighterage services amounted to PHP113 million, equivalent to 4% 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 includes 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 2023, revenues from salvage operations amounted to PHP8 million, equivalent to 0.35% of total revenue.

Towing

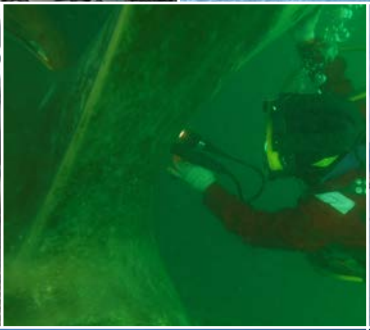
Harbor Star provides services in various stages of the towing cycle, from planning activities to the actual towage operation. The company provides two (2) types of towing services:

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.

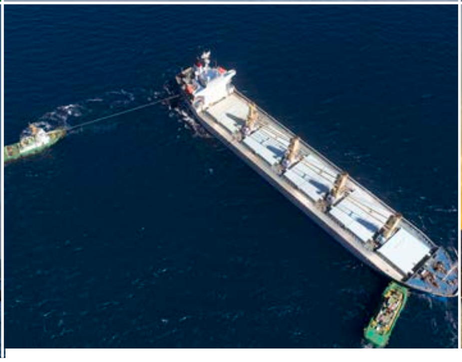
As of 31 December 2023, revenues from towing services amounted to PHP56 million, equivalent to 2% of total revenue.












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 2023, revenues from other construction, repair, and maintenance work amounted to PHP72 million, equivalent to 3% of total revenue.

Other Marine Services

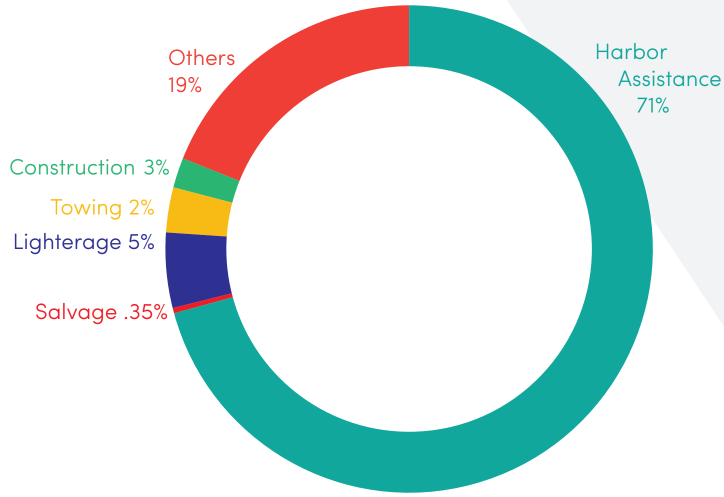
Harbor Star's marine and other ancillary services include:

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 2023, revenues from other marine services amounted to PHP487 million, equivalent to 19% of total revenue.

Harbor Star Service Income

As of 31 December 2023



Our Fleet

TUGBOATS

M/T ACHERNAR
M/T ADARA
M/T AGENA
M/T ALPHARD
M/T ALUDRA
M/T ALYA
M/T ARNEB
M/T ATRIA
M/T AVIOR
M/T CANOPUS
M/T CAPELLA
M/T CAPH
M/T CENTAURUS
M/T DENEB
M/T DUBHE
M/T ENIR
M/T GALINA
M/T GIEDI
M/T GREAT FALCON
M/T GREAT HAWK
M/T GREAT LARK
M/T HOMAM
M/T JABBAH
M/T KEID
M/T KRAZ
M/T LUCIDA
M/T MARKAB
M/T MERAK
M/T MERGA
M/T MIMOSA
M/T MINKAR
M/T MIRA
M/T MIZAR
M/T PROCYON
M/T PROPUS
M/T REGULUS
M/T RIGEL
M/T SARGAS
M/T SARIN
M/T SCHEDAR
M/T SHAULA
M/T SIRIUS
M/T SKAT
M/T SPICA
M/T TABIT
M/T TYL
M/T WEZEN
M/T ZANIAH

MALAYSIA TUGBOATS

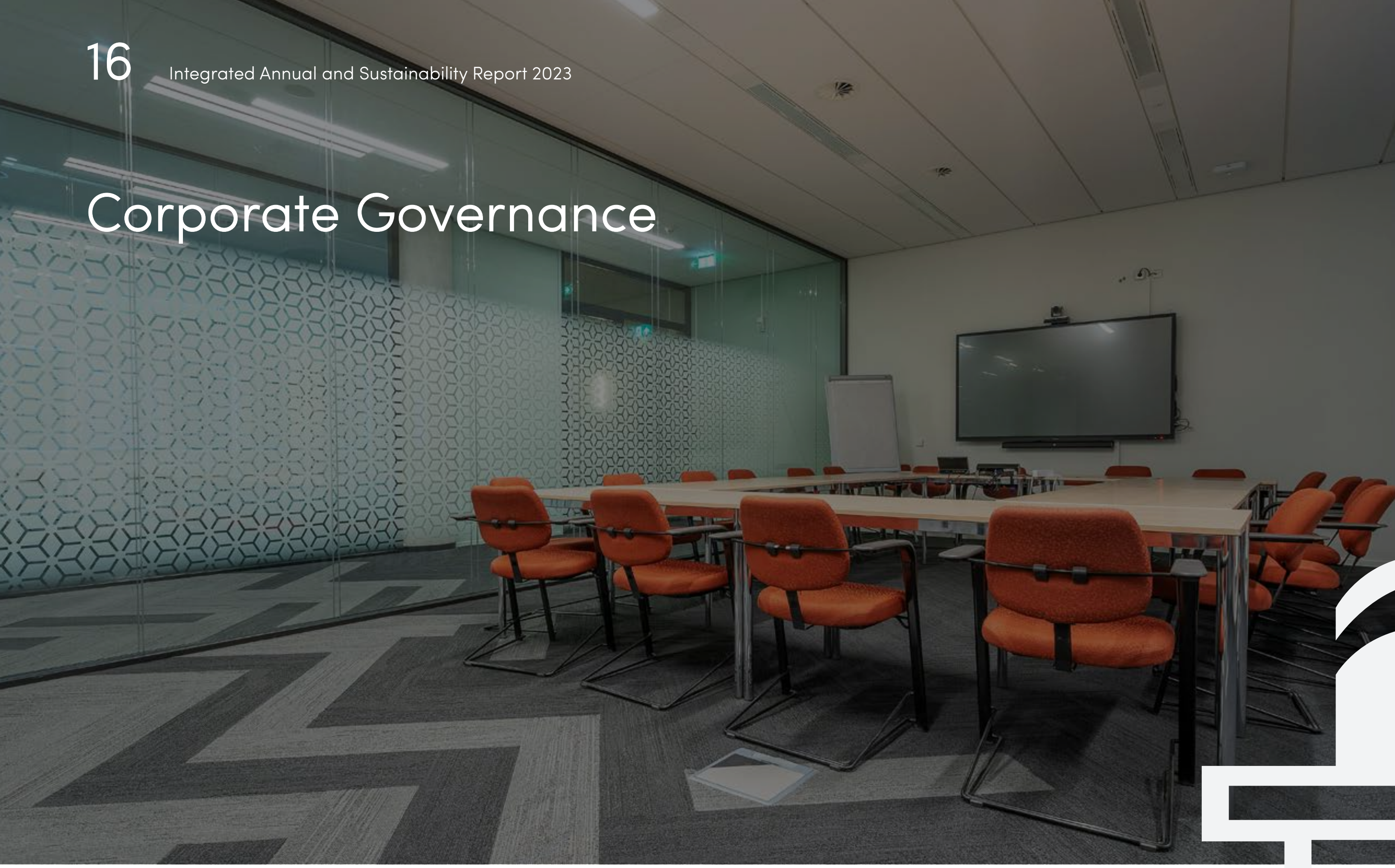
M/T HAMAL
M/T IZAR
M/T MIRZAM
M/T POLLUX
M/T SYRMA

BARGES

Barge AQUILA
Barge AURIGA
Barge CENTAURUS
Barge CORONA
Barge CORVUS
Barge HYDRUS
Barge KENRAM

OTHER VESSELS

LCT DRACO
M/V WISE
M/V HYDRA



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.

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.

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.

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.

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.

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").

Board of Directors Profiles

Geronimo P. Bella, Jr.

63, 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), and Harbor Star East Asia (Myanmar) Ltd (HSEA), 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

57, Filipino, Executive 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), Harbor Star Subic Corp. (HSSC) and Harbor Star Construction Company (HSCC). He is also the Director of Harbor Star East Asia (Myanmar) Ltd (HSEA). 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

49, Filipino, 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 the University of Santo Tomas in 1996.

Ramon C. Liwag

67, Filipino, Director. Mr. Liwag serves as a director of Harbor Star Shipping Services, Inc. Currently the President of Asia Security Education and Consultancy, 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 organizations. 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

59, 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

62, 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

58, 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.

Board of Directors

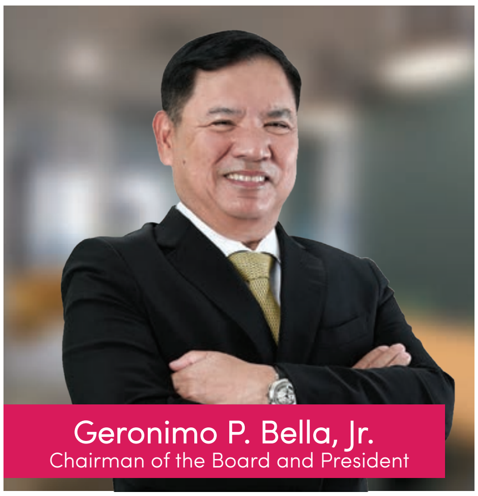
Ceasar Daniel T. Castro
Director

Ryota Nagata
Director

Gene S. De Guzman
Independent Director

Gemma V. Sadiua
Independent Director

Key Officers



Geronimo P. Bella, Jr.
Chairman of the Board and President

Ricardo Rodrigo P. Bella
Executive Director and Vice President

Charlene O. Ang
Corporate Secretary

Dany Cleo B. Uson
Treasurer, CFO, and Compliance Officer

Lorenzo C. Caranzo
Operations Division Head

Management Team Profiles

Charlene O. Ang

56, Filipino, Corporate Secretary. Atty. Ang serves as the Corporate Secretary of Harbor Star. Currently, she serves as a tax counsel, manager, and technical support for various financial institutions domestically and internationally. She previously served as a legal assistant and research consultant specializing in the field of taxation and corporate practices in various firms, among others. She also co-authored the Philippine volume of CCH's Tax Planning and Compliance in Asia. Atty. Ang obtained her Bachelor of Arts in Social Sciences Major in Economics and Development Studies from Ateneo de Manila University College of Arts and Sciences in 1988 and earned her Juris Doctor from Ateneo de Manila University School of Law in 1996.

Dany Cleo B. Uson

61, Filipino, Treasurer, Chief Finance Officer & Compliance Officer. Mr. Uson is concurrently the Business Development Officer 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

57, Filipino, Operations Division Head. As of 1 October 2015, Captain Caranzo is appointed as Operations Division Head of Harbor Star. He also serves as the Salvage Master of the Company. Capt. Caranzo 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

45, 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-fledged 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

59, 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 and is currently taking his Master in Ship Management in the same academy's graduate school. 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

38, Filipino, Quality, Health, Safety, Environment (QHSE) Manager. Mr. Castillo is the QHSE 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 an 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

59, 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

49, Filipino, Legal Services Manager. Ms. Bella is the Legal Services Manager of Harbor Star. Her role also includes serving the subsidiaries as Corporate Secretary to Harbor Star Energy Corporation (HSEC), Harbor Star Subic Corp. (HSSC), and Harbor Star Construction Corporation (HSCC). Likewise, she also serves the subsidiaries of HSEC, where she acts as both Director and Corporate Secretary of ASTRONERGY Development Gensan Inc.

(ADGI), ASTRONERGY Development F1 (ADF1), and ASTRONERGY Development F2 (ADF2). In her personal capacity, Ms. Bella is currently the Director and Corporate Secretary Asclepius Recruitment Inc., and Belleridge Resources Inc. Prior to her present positions, Ms. Bella also served as Director of Belleport Shipping Corporation, Mearnz Green Technology Proponents, Inc., Earthlink Resources Inc., and Luscent Oil Services, Inc. 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. After passing the bar exams, she worked as a Legal Associate at Rondain & Mendiola Law Offices for several years prior to joining Harbor Star.

Elionarda L. Refil

55, 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 Masters Degree in Development Communication from the University of the Philippines Open University (UPOU) Los Baños, Laguna in 2016.

Adolfo R. Isanan

52, 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, shipbuilding and construction which he held positions of Accountant and CFO. Among the companies where he was previously employed were Soonly Foods Products Inc., North Star Shipping & Marine Services, Inc., South Star Towage Inc., RBL Fishing Corporation, RBL Shipyard and Zobel Oil Corporation. He was 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

46, 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-three (23) 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 13-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 (PLM) in 1998. She is currently completing her Master's in Business Administration in the same University. She completed various certificate programs in San Beda specifically in Human Resource Development, Compensation and Benefits, and Organization Development.

Maria Elizabeth Jean E. Bella

35, 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

45, Filipino, ICT Manager. Mr. Orila is the ICT Manager of Harbor Star. He is a dynamic IT professional with over 22 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

54, Filipino, Business Development Manager for Visayas & Mindanao. Mr. Samong served as Davao Branch Head from 2010 to 2019 before becoming the Business Development Manager for Visayas & Mindanao of Harbor Star. He was involved in the Sales, Marketing, and Operations department of several companies prior to his position at Harbor Star, including Essen Pharma Inc., G&G Logistics 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 with Postgraduate studies in Master of Ship Management from John B Lacson Foundation Maritime University (Distance Learning module) in Iloilo City, Philippines from June 2015 to June 2016.

Marvin William F. Trinidad

45, Filipino, Sales & Marketing Manager. Mr. Trinidad served as a Sales & Marketing Officer from 2011 to 2019 and Sales & Marketing Officer-in-Charge from 2019 to 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 College) in 1999.

Elisalde M. Fantillo

52, Filipino, Technical Manager. Mr. Fantillo served as a Technical Auditor and Engineering & Maintenance Officer-in-Charge for more than one year before becoming the 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 the 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

44, Filipino, Administration Manager. Honed by time and experience, Ms. Parro served as an HR Supervisor from 2017 until 2019 then became the Diving, Marine Maintenance and Construction Admin Officer-in-Charge from 2020 until 2021 before becoming the Administration Manager. Prior to joining Harbor Star, she was engaged and exposed in different facets of Human Resource Management, Training Development and Administrative work from 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. She is currently the Authorized Managing Officer (AMO) of Harbor Star Construction Corporation (HSCC), the emerging new construction company and subsidiary of Harbor Star Shipping Services Inc.

Marlon D. Dabu

42, Filipino, Audit Manager. Mr. Dabu served as an Internal Auditor from 2009 to 2016, Senior Internal Auditor from 2016 to 2021, Audit Officer-in-Charge from 2021 to 2022 before becoming the Audit Manager. 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.

Daisy A. Sta. Maria

51, Filipino, Treasury and Budget Manager Ms. Sta Maria served as Accounting Clerk upon joining the Company in June 2001 and rose to ranks from being the Accountant from 2001 to 2009 and Budget Officer from 2009 to 2022 before becoming the Treasury and Budget Manager. Prior to her present position with Harbor Star, she was the Junior Supervisor of A Open Inc. Taiwan (Acer Group of Co.) and she was involved in Accounting Department of several companies, including Golden Landmark, Inc., Renaissance Towers Condo Corporation and Jollibee Foods Corporation. Ms. Sta. Maria obtained her degree in Bachelor of Science in Accountancy from Polytechnic University of the Philippines in 1993.

Management Team

Emmanuel L. Falcunit
Operations Manager – Fleet Operations

Rudiardo L. Arcellana
Operations Manager - Salvage, Towage, Lighterage

Jay-R L. Castillo
QHSE Manager

Edwin G. Amejana
Commercial Manager

Virginia May P. Bella
Legal Services Manager

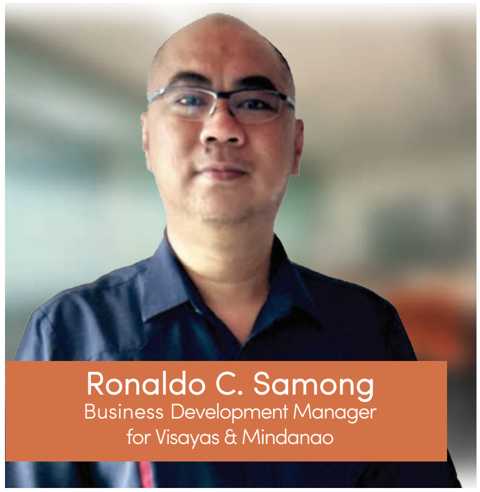
Elionarda L. Refil
General Services Manager

Adolfo R. Isanan
Accounting Manager

Effel T. Santillan
Human Resource Manager

Maria Elizabeth Jean E. Bella
Procurement Manager


Ryan L. Orila
ICT Manager


Ronaldo C. Samong
Business Development Manager
for Visayas & Mindanao


Marvin William F. Trinidad
Sales and Marketing Manager


Elisalde M. Fantillo
Technical Manager


Edith P. Parro
Administration Manager


Marlon D. Dabu
Audit Manager


Daisy A. Sta. Maria
Treasury and Budget Manager


HARBOR STAR
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With 25 years of steadfast commitment to maritime excellence, Harbor Star's landmark celebration, "Harbor Star: Guiding the Way for 25 Years," held at The Filinvest Tent in Alabang, Muntinlupa, served as an important milestone for the company and its stakeholders. The gathering, which was attended by Harbor Star personnel and esteemed guests, marked a pivotal juncture in the company's trajectory. Reflecting on past achievements and charting a course for the future, the event epitomized Harbor Star's enduring legacy and strategic position within the industry. It underscored the company's unwavering dedication to maritime leadership and its ongoing pursuit of operational excellence.














HARBOR STAR
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HARBOR STAR
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HARBOR STAR
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Years


Harbor Star's 10th PSE Anniversary

Harbor Star Shipping Services, Inc. (stock symbol: TUGS) celebrated its 10th Listing Anniversary with a bell ringing ceremony at the Philippine Stock Exchange (PSE) on Tuesday, October 31 2023. Executives from Harbor Star and the PSE convened to honor the milestone. It was noted that TUGS had raised PHP341.41 million during its October 30, 2013 stock market debut. In his welcome address PSE COO Atty. Roel A. Refran lauded Harbor Star's growth journey, highlighting its expansion from maritime services to include general construction, engineering, and energy ventures. The event echoed not just a decade of listing success but also Harbor Star's remarkable evolution and strategic vision.

Sustainability Report 2023

Introduction to the Sustainability Report

Integral to HSSSI's operations are its Sustainability Programs focused primarily on the economic, environmental and social well-being of communities.

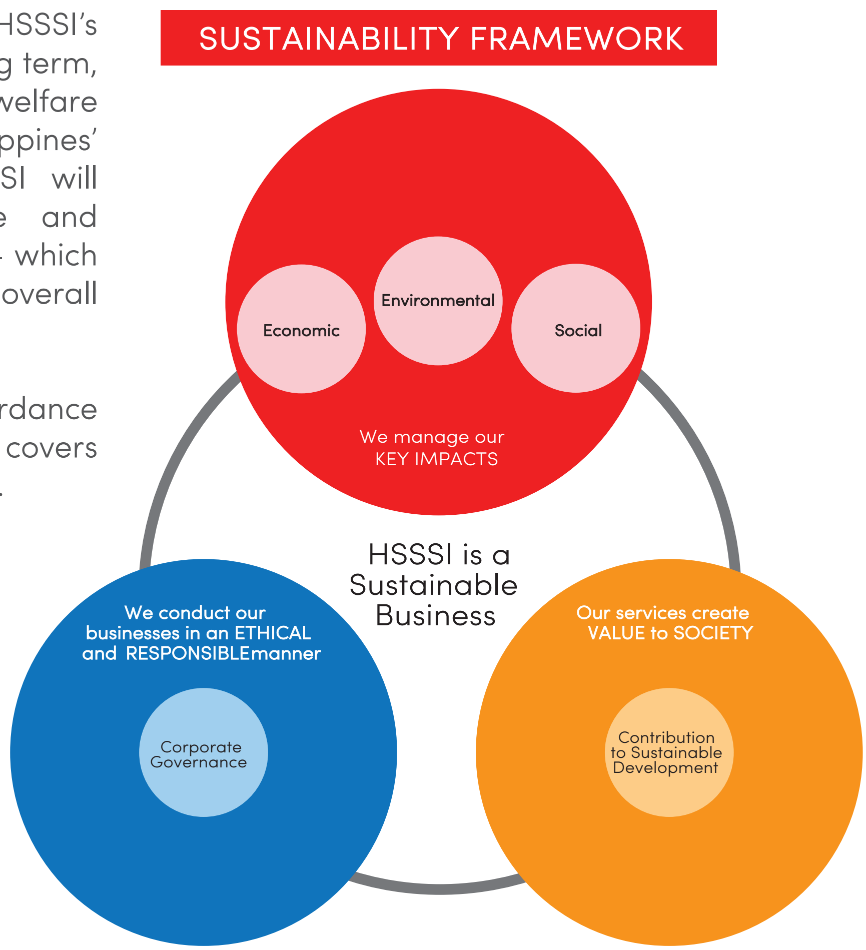
Through the years, the company has invested a significant amount of resources and manpower into activities that promote community development, sustainability and the conservation of marine life. It is HSSSI's conviction that, both in the short and long term, these efforts will safeguard the welfare particularly of people residing in the Philippines' coastal areas. Moving forward, HSSSI will continue to work towards inclusive and sustainable growth for all communities – which ultimately redounds to the country's overall progress and development.

This report has been prepared in accordance with the GRI Standards: Core Option. It covers the period of January to December 2023.

(102-48, 102-49, 102-54)

Sustainability Framework

This sustainability framework is crafted for Publicly Listed Companies (PLCs) operating in the Philippines. It is a systematic approach that serves as a guideline to manage issues and improve business practices in achieving the Company's sustainability.



Material Topics and Boundaries

In identifying the materiality of the topics included in this report, department heads were provided with a risk assessment form to identify stakeholders and significant issues that reasonably have adverse or beneficial impacts on the origination's economic, environmental, and social conditions, or

	Business Economic Performance	Value for Customers	Employee Engagement
Metric	Direct economic value generated Direct economic value distributed	Market Share	Attrition Rate
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

those that can influence the decisions of the stakeholders. After collating the contextual issues, top management then conducted several dialogues to finalize which topics are considered significant. *(102-46, 102-47)*

Employee Well-Being	Environment Protection	Workplace Safety and Health	Compliance to International Standard	Fleet Management
Attrition Rate	Compliance monitoring GHG footprint	Accident Frequency Rate Lost Time Injury Rate	IMS certification	Fleet Efficiency
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 45001:2018 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)

1 Employees

ALL EMPLOYEES

Relevance to the Organization (102-42)

Workforce/manpower that helps the company meet its vision, mission, and strategic objectives.

Topics / Concerns Raised (102-44)

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

Approach to Stakeholder Engagement (102-43)

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

Relevance to the Organization (102-42)

Patrons of HSSSI operations

Topics / Concerns Raised (102-44)

1. Value for Customers

Approach to Stakeholder Engagement (102-43)

1. Client call
2. Customer feedback form
3. Continuous improvement of services

3 Investors

STOCKHOLDERS

Relevance to the Organization (102-42)

Contribute capital to the business

Topics / Concerns Raised (102-44)

1. Business economic performance
2. Business strategic plans
3. Sustainable value for stakeholders

Approach to Stakeholder Engagement (102-43)

1. Annual Stockholders Meeting

4 Business Partners

SUPPLIERS / SERVICE PROVIDERS / CONTRACTORS

Relevance to the Organization (102-42)

Provide resources and services essentials to the operation

Topics / Concerns Raised (102-44)

1. Value for suppliers

Approach to Stakeholder Engagement (102-43)

1. Supplier Accreditation and audit
2. Second Party Audit (Supplier's Audit)

MANNING AGENCIES

Relevance to the Organization (102-42)

Provide manpower for an international voyage

Approach to Stakeholder Engagement (102-43)

1. Contract with the manning agency

5 Community

6 Government

7 Trade Organization

INSURANCE COMPANY

Relevance to the Organization (102-42)

Insured assets

Topics / Concerns Raised (102-44)

1. Incident/ Accident Reporting

Approach to Stakeholder Engagement (102-43)

1. Insurance claim process

ISO CERTIFYING BODY

Relevance to the Organization (102-42)

Continuous improvement of the management system performance; Fulfillment of legal requirements and other requirements; Achievement of objectives.

Topics / Concerns Raised (102-44)

Maintenance of ISO certification

Approach to Stakeholder Engagement (102-43)

1. Renewal of certification

LOCAL COMMUNITY PARTNER IN CSR

Relevance to the Organization (102-42)

Helps the company and other stakeholders to be socially accountable

Topics / Concerns Raised (102-44)

Corporate Social Responsibility (CSR)

Approach to Stakeholder Engagement (102-43)

1. Quarterly visitation of the partner community

LOCAL GOVERNMENT REGULATORY BODIES; NGOS

Relevance to the Organization (102-42)

Issuance of permit to operate

Topics / Concerns Raised (102-44)

Sustainable operation

Approach to Stakeholder Engagement (102-43)

1. ISO Certification to ensure compliance with legal requirements
2. Attend Conferences

INTERNATIONAL AND LOCAL TRADE UNIONS

Relevance to the Organization (102-42)

Compliance to international standards to get more clients

Topics / Concerns Raised (102-44)

Compliance with the requirements

Approach to Stakeholder Engagement (102-43)

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)	2,663,062,045	PHP
Direct economic value distributed:		
a. Operating costs	768,451,265	PHP
b. Employee wages and benefits	467,490,036	PHP
c. Payments to suppliers, other operating costs	275,800,114	PHP
d. Dividends given to stockholders and interest payments to loan providers	280,161,155	PHP
e. Taxes given to government	4,425,811	PHP
f. Investments to community (e.g. donations, CSR)	710,852	PHP

NET SALES THAT MAKE UP 5% OR MORE OF THE TOTAL REVENUE

	HSSSI 82%	Peak Flag 4%	HSSC 9%	HSEC 5%	ADGI	Consolidated 100%
Service Income, net	2,173,991,044	111,294,607	237,446,390			2,522,732,041
Revenue on generation of solar power						

	HSSSI 83%	Peak Flag 6%	HSSC 7%	HSEC 5%	ADGI	Consolidated 100%
Cost of Services	1,494,611,935	102,067,237	119,688,599	89,963,189		1,806,330,960

Value for Customers

Harbor Star is committed to delivering quality service that aligns with customers' needs remains unwavering. The organization prioritizes customer satisfaction by upholding stringent standards and continuously enhancing operations. By maintaining ISO certifications, Harbor Star not only ensures compliance with legal requirements but also strives for continuous improvement, driving toward operational excellence.

As of 31 December 2023, Harbor Star Shipping Services has approximately one hundred seventy (170) ports within the Philippines, of which, twelve (12) are base or hub ports. These base ports comprise Bataan, Batangas, Cagayan de Oro, Cebu, Davao, Iligan, Iloilo, Leyte, Manila, Quezon (Mauban), Subic, and Zamboanga.

In some of the base ports mentioned above, there are several sub-ports or privately owned and operated ports that the Company also provides maritime services for. There are fifteen (15) sub-ports in Bataan, thirty-three (33) in Batangas, twenty-four (24) in Cagayan De Oro, thirty-eight (38) in Davao, and forty-four (44) in Cebu.

Employee Engagement and Well-Being

In 2023, Harbor Star actively engaged its employees through a series of strategic initiatives. Following the procurement of a state-of-the-art simulator and subsequent trainer training in late 2022, the company introduced simulator training for Tug Masters and vessel officers. This culminated in all Luzon-based officers completing face-to-face simulator sessions by the end of 2023, with plans to extend this to Visayas and Mindanao in 2024.

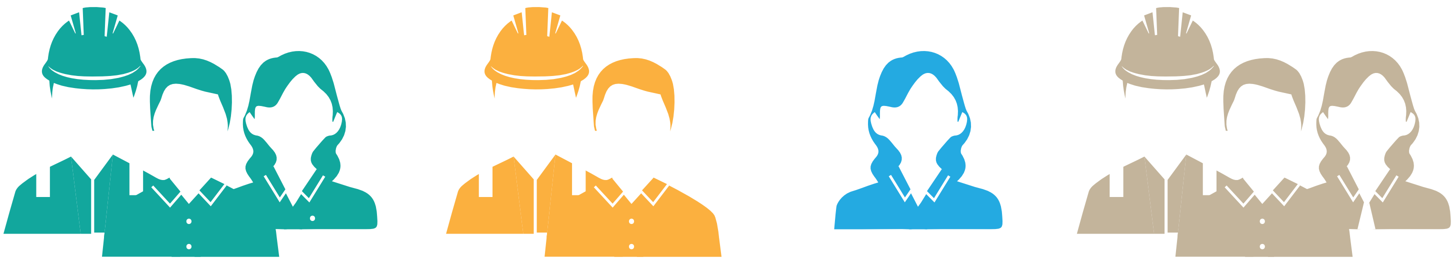
Harbor Star convened managers to revisit and refine the company's Vision, Mission, and Values in the first quarter of 2023. Through a collaborative Vision, Mission, and Values (VMV) workshop led by HRDM, leaders were actively involved in shaping the new organizational ethos. The company then launched the updated VMV through a team-building event for onshore employees, catalyzing unity and alignment with the new company principles. Plans include extending this workshop to vessel officers and crew during scheduled tug visits in 2024.

Alongside these efforts, HRDM introduced grievance policy procedures to foster transparent communication channels. Harbor Star prioritized employee growth through leadership, governance, and sustainability training programs. Celebratory events such as Women's National Month and Mother's Day reinforced the company's commitment to diversity and inclusivity. Health and wellness initiatives, including nutrition-focused webinars, the Biggest Loser Contest, sports activities, and group exercises, promoted overall employee well-being.

Moreover, the company organized events like Valentine's Day, Araw ng Wika, Mother's and Father's Day, and kid-friendly Halloween festivities to encourage work-life balance and honor Filipino traditions. Special activities geared towards seafarers on vessels included regular FB Live sessions, the Day of the Seafarer focusing on health and marine conservation, and Seafarers' Week featuring contests promoting environmental care at sea. Harbor Star demonstrated a steadfast commitment to fostering a supportive and inclusive workplace environment through a coherent blend of engagement initiatives.

Employee Management

Employee Data (401-1)



612	557	55	17.59%
Total Number of Employees	Total Number of Male Employees	Total Number of Female Employees	Attrition Rate

HSSSI	December				
	2023	2022	2021	2020	2019
Headcount	614	617	608	578	605
Total Separation	108	101	80	75	86
Turnover %	17.59%	16.37%	13.16%	12.98%	14.21%

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	15%	17%
Philhealth	Y	18%	4%
Pag-ibig	Y	13%	21%
Parental leaves	Y	7%	1%
Vacation leaves	Y	82%	71%
Sick leaves	Y	71%	9%
Medical benefits (aside from PhilHealth)	Y	690 (Times Availed)	
Housing assistance (aside from Pag- ibig)	Y		0.48%
Retirement fund (aside from SSS)	Y		
Further education support	Y	2%	0.2%
Company stock options	Y	75%	11.11%
Telecommuting	Y	50%	10%
Flexible-working Hours	Y	100%	20%

Employee Training and Development (401-1)		
Disclosure	Quantity	Units
Total training hours provided to employees		
a. Female employees	604	Hours
b. Male employees	1,877	Hours
Average training hours provided to employees		
a. Female employees	25	Hours/Employee
b. Male employees	15	Hours/Employee

Diversity and Equal Opportunity (405-1)		
Disclosure	Quantity	Units
% of Female Workers in the Workforce	9	%
% of Male Workers in the Workforce	91	%
Number of employees from indigenous communities and/or vulnerable sector*	37 - 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 impact 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

At Harbor Star, the commitment to environmental stewardship is wholeheartedly embraced. The unwavering dedication to safeguarding the planet and mitigating climate change drives actions and shapes initiatives. Here's how Harbor Star is making a difference:

Energy Optimization: Illuminating a Greener Path

The facilities serve as beacons of sustainable practices. To optimize energy usage, Harbor Star has embarked on a significant initiative: replacing traditional office lighting fixtures with energy-efficient alternatives, particularly LED lighting. This transition not only brightens spaces but also significantly reduces energy consumption. By embracing modern technology, Harbor Star aligns its commitment to sustainability with tangible results.

Monitoring CO2 Emissions: A Rigorous Approach

The Energy Conservation Committee (ENERCON) diligently monitors and evaluates carbon dioxide (CO2) emissions. Ambitious reduction targets have been set, aiming for a 3% decrease in CO2 emissions per tugboat movement. While this year's emissions per move remain consistent with last year, Harbor Star remains steadfast in the pursuit of progress. The commitment extends beyond mere numbers; it's about fostering a greener future.

Innovative Programs: Connecting the Dots

As part of the comprehensive strategy, several programs are being implemented to reduce CO2 emissions:

- Shoreline Connection: By enabling vessels to connect to shore power while docked, emissions during idle periods are minimized.
- Tug-to-Tug Connection: An innovative approach allows tugboats to share power, reducing fuel consumption and emissions.
- Solar Panels: Solar panels have been installed on three fleets. These panels harness the sun's energy, powering operations sustainably.

These programs contributed to a remarkable 3,032.07 metric tons of CO2 emission reduction.

The commitment to sustainability isn't just about reducing environmental impact; it's also about enhancing operational efficiency and cost-effectiveness. By embracing green practices, Harbor Star creates a win-win scenario: a healthier planet and a stronger bottom line.

Resource Management

Energy Consumption within the Organization (302-1)

DIESEL 350,613 GJ

268,920 kWh
Electricity

Water Consumption within the Organization (303-3, 303-5)

Water Withdrawal
0 m³

Water Consumption
42,977 m³

Recycled and Reused
0

Energy Consumption within the Organization (306-4)		
Disclosure	Quantity	Units
Total Weight of Hazardous Waste Generated	10,000	Kg
Total Weight of Hazardous Waste Transported	10,000	Kg

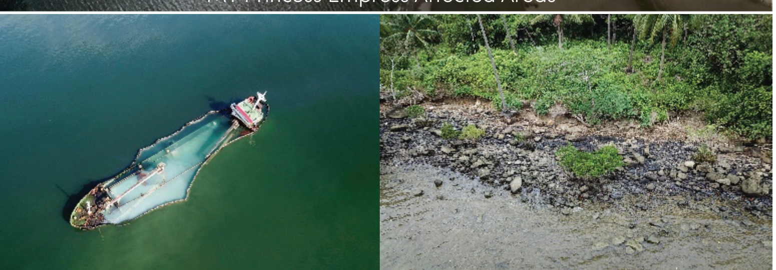
Air Emissions: GHG (305-1, 305-2, 305-6)		
Disclosure	Quantity	Units
Direct (Scope 1) GHG Emissions	24,749	Tonnes
Energy Indirect (Scope 2) GHG Emissions	173	Tonnes
Indirect (Scope 3) GHG Emissions	35	Tonnes

HARBOR STAR'S COMPASSIONATE RESPONSE TO OIL SPILL DEVASTATION

At Harbor Star, the commitment to environmental protection extends far beyond mere words—it is ingrained in the very fabric of its ethos and drives the organization to action even in the face of adversity. While the primary aim is to prevent environmental harm, Harbor Star recognizes that unforeseen incidents, such as oil spills, demand swift and decisive responses to mitigate their impact and aid in the recovery of affected ecosystems.

In the unfortunate event of an oil spill, Harbor Star stands ready to spring into action, leveraging its expertise and resources to facilitate a rapid and effective response. The dedication to environmental stewardship was exemplified in recent endeavors to address oil spill incidents in various regions, including Mindoro, Semirara, Liwagao, Isla Verde, and Palawan.

MT Princess Empress Affected Areas



MV Viet Hai Star Affected Areas

Following the grounding and subsequent oil spill from the MV Princess Empress, which tragically released 800,000 liters of fuel oil into sensitive coastal waters, Harbor Star assumed a pivotal role as the shoreline contractor entrusted with the critical task of shoreline clean-up. Through concerted efforts, Harbor Star successfully recovered a total of 574 tonnes of solid contaminated waste, endeavoring to restore the affected shorelines to their natural state and mitigate further ecological damage.

Similarly, in Balabac, Palawan, Harbor Star swiftly mobilized its resources to respond to another oil spill incident stemming from the half-sunken Viet Hai Star vessel. Despite the daunting challenges posed by this environmental catastrophe, including the release of 20 tonnes of fuel oil and 10 tonnes of diesel oil into pristine marine ecosystems, Harbor Star remained resolute in its commitment to environmental recovery. Through meticulous coordination and rigorous clean-up efforts, Harbor Star was able to collect 16.02 tonnes of solid contaminated waste and 1.15 tonnes of liquid contaminated waste, minimizing the spread of pollutants and safeguarding vulnerable habitats.

As environmental advocates, Harbor Star recognizes that its responsibilities extend beyond the mere fulfillment of contractual obligations; they encompass a moral imperative to aid in the restoration of ecosystems and communities ravaged by environmental disasters. Indeed, Harbor Star's role transcends mere business interests—it is a solemn duty to help heal the wounds inflicted upon our planet and its inhabitants by the socio-economic impacts of oil spills.

In essence, Harbor Star remains unwavering in its commitment to environmental protection and sustainable practices, standing as a beacon of hope and resilience in the face of environmental adversity. Through its proactive stance and unwavering dedication, Harbor Star endeavors to play a meaningful role in fostering environmental resilience and catalyzing the restoration of ecosystems for the prosperity of current and future generations.

Workplace Safety and Health

Employee’s Safety and Health

At Harbor Star, the well-being and safety of its employees stand as paramount priorities. With a steadfast commitment to fostering a culture of safety and health, dedicated teams have been established, tasked with meticulously monitoring and implementing robust health and safety policies and procedures across operations.

Central to the approach is the cultivation of an interdependent safety culture, wherein every employee is not just responsible for their own well-being but actively engages in the collective effort of "observing each other's welfare. This ethos underscores the belief that ensuring a safe workplace is a shared responsibility that transcends individual actions.

Recognizing employees as the most invaluable asset, Harbor Star actively engages them in various aspects of occupational health and safety. From participation in incident investigations to the identification and assessment of risks through Hazard Identification,Risk Assessment, and Control (HIRAC), the workforce plays a pivotal role in shaping and enhancing safety protocols.

Furthermore, Harbor Star places a premium on ensuring that all operational personnel are not only competent but also well-versed in safety procedures, and equipped with the knowledge and skills necessary to navigate potential hazards effectively. To this end, ongoing training and development initiatives are prioritized and aimed at enhancing individual competence and skill sets.

Through a combination of supported training programs, continuous learning opportunities, and hands-on skill development, Harbor Star empowers its workforce to navigate complex operational environments with confidence and proficiency. By investing in the personal and professional growth of its employees, Harbor Star not only bolsters workplace safety but also fosters a culture of excellence and accountability.

At Harbor Star, the unwavering commitment to workplace safety and health extends beyond mere compliance—it's a reflection of the core values and a testament to the dedication to safeguarding the well-being of every individual within the organization. As Harbor Star continues on this journey, it remains steadfast in the pursuit of excellence, continuously striving to raise the bar for occupational health and safety standards across all facets of operations.

Workplace Conditions, Labor Standards, and Human Rights

Occupational Health and Safety (403-9)		
Disclosure	Quantity	Units
Safe Man-Hours	14,383,312	Man-Hours
Number of Work-Related Injuries	2	#
Number of Work-Related Fatalities	0	#
Number of Work-Related Ill-Health	0	#
Number of Safety Drills	2,531	#

Compliance to International Standards and Maintenance

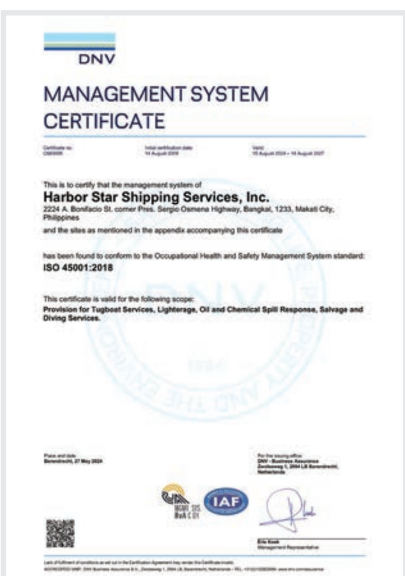
At Harbor Star, the unwavering commitment to excellence, quality service, and safety propels the organization to maintain its standing as a frontrunner in the industry. Immense pride is taken in operations that consistently meet and exceed global industry standards, earning recognition both locally and internationally.

The dedication to upholding the highest standards is exemplified through the retention of key international certifications. Harbor Star proudly maintains ISO 9001:2015 for Quality Management, ISO 14001:2015 for Environmental Management, and ISO 45001:2018 for Occupational Health & Safety Management. These certifications signify continuous evaluation of major processes and implementation of improvements to ensure alignment with international benchmarks. Additionally, the achievement of the Integrated Management System (IMS) Certification from DNV underscores the commitment to holistic excellence across all facets of operations.

The proactive approach to safety and environmental stewardship is underscored by the achievement of a certificate of no violation of Occupational Health and Safety standards, coupled with the absence of pending cases related to environmental requirements. These accolades validate the unwavering commitment to responsible and sustainable practices.

Looking ahead, as the industry continues its trajectory towards even higher standards of safety, maintenance, and employee development, Harbor Star remains steadfast in its commitment to investing in the workforce. Through continuous training and development initiatives, it ensures that employees remain at the forefront of global industry standards, driving innovation and excellence in all aspects of operations.

At Harbor Star, the pledge to excellence knows no bounds. The organization stands resolute in its mission to uphold the highest standards of quality, safety, and environmental responsibility, serving as a beacon of industry leadership and innovation.

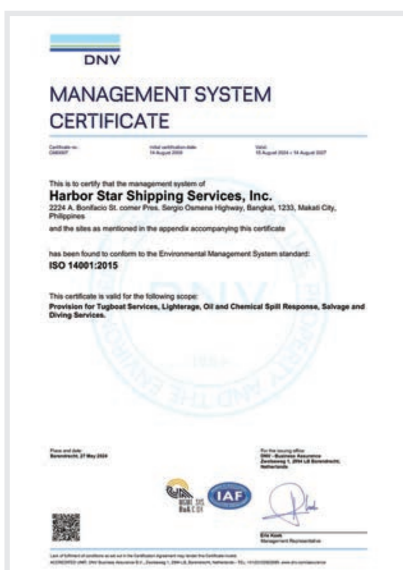

DNV

MANAGEMENT SYSTEM CERTIFICATE

This is to certify that the management system of
Harbor Star Shipping Services, Inc.
2224 A. Bonifacio St. corner Pres. Sergio Osmena Highway, Bangkal, 1233, Makati City, Philippines
and the sites as mentioned in the appendix accompanying this certificate

has been found to conform to the Occupational Health and Safety Management System standard:
ISO 45001:2018

This certificate is valid for the following scope:
Provision for Tugboat Services, Lighterage, Oil and Chemical Spill Response, Salvage and Diving Services.

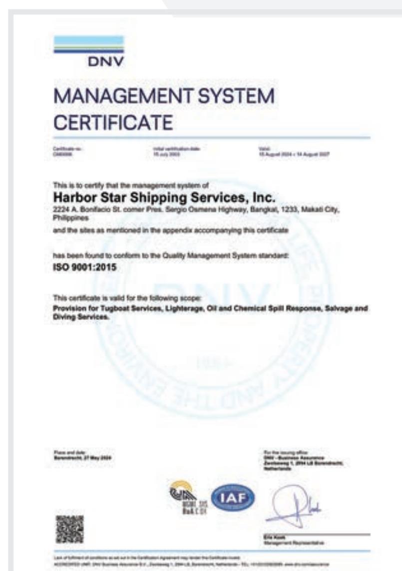

DNV

MANAGEMENT SYSTEM CERTIFICATE

This is to certify that the management system of
Harbor Star Shipping Services, Inc.
2224 A. Bonifacio St. corner Pres. Sergio Osmena Highway, Bangkal, 1233, Makati City, Philippines
and the sites as mentioned in the appendix accompanying this certificate

has been found to conform to the Environmental Management System standard:
ISO 14001:2015

This certificate is valid for the following scope:
Provision for Tugboat Services, Lighterage, Oil and Chemical Spill Response, Salvage and Diving Services.


DNV

MANAGEMENT SYSTEM CERTIFICATE

This is to certify that the management system of
Harbor Star Shipping Services, Inc.
2224 A. Bonifacio St. corner Pres. Sergio Osmena Highway, Bangkal, 1233, Makati City, Philippines
and the sites as mentioned in the appendix accompanying this certificate

has been found to conform to the Quality Management System standard:
ISO 9001:2015

This certificate is valid for the following scope:
Provision for Tugboat Services, Lighterage, Oil and Chemical Spill Response, Salvage and Diving Services.

SUSTAINABLE DEVELOPMENT GOALS

14 LIFE BELOW WATER

Harbor Star Shipping Services Inc., renowned for its steadfast commitment to Corporate Social Responsibility (CSR) initiatives, stands out as a beacon of environmental stewardship and community support. Through a series of laudable activities, the company has demonstrated an unwavering dedication to fostering sustainable practices and fostering positive impacts on society.

Dedication to Mangrove Conservation

The Adopt-a-Mangrove Program, initiated on February 25, 2011, presents a valuable opportunity to promote responsible marine resource conservation. Located in Barangay Banoyo, San Luis Batangas, this CSR initiative represents a collaborative effort between Harbor Star employees, 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). The program kicked off with the planting of the first 5,000 mangrove propagules, symbolizing a commitment to nurturing and safeguarding these vital coastal ecosystems.

As part of our ongoing commitment, Harbor Star remains dedicated to overseeing the growth and sustainability of these mangroves. Regular monitoring and replanting activities are scheduled to ensure the long-term success of the initiative. Despite facing challenges such as typhoons and inclement weather, approximately 15,000 out of the 30,000 mangrove propagules planted have thrived, marking a significant milestone in the project's progress. Moving forward, our collective efforts aim to further expand the mangrove population, enhancing the ecological balance and resilience of the area while maintaining a strong focus on sustainability and community engagement.

Empowerment during Environmental Crises

Amidst an oil spill project where Harbor Star was enlisted to assist, the company took a unique approach by prioritizing the recruitment of local volunteers from the affected area. Rather than hiring external workers for the paid project, Harbor Star recognized the importance of engaging the community directly impacted by the crisis.

By involving local residents, many of whom rely on fishing and tourism for their livelihoods, in the cleanup efforts, Harbor Star not only contributed to the environmental restoration but also supported the affected families during this challenging time. These volunteers were instrumental in assisting with the day-to-day tasks while their primary sources of income were being restored.

Through this initiative, Harbor Star provided allowances to the local volunteers, ensuring that their families were supported financially during the crisis. By empowering the community to actively participate in the cleanup project and compensating them for their efforts, the company not only facilitated the restoration of the environment but also demonstrated a strong commitment to the well-being and resilience of the local residents.

Education and Community Engagement

Harbor Star is dedicated to educating the residents of Brgy. Banoyo and volunteers about the significance of environmental conservation. In December 2023, the Human Resource and Development Management (HRDM) team, along with employee volunteers, organized informative seminars and engaging activities focused on the preservation of mangroves and environmental stewardship.

Following these educational sessions, as a gesture of appreciation and support, the company distributed Christmas packages to the dedicated volunteers who have been actively involved in mangrove planting and cleanup efforts. This act of kindness not only reinforced the importance of community engagement but also served as a token of gratitude for their ongoing commitment to safeguarding the environment. By combining educational initiatives with meaningful gestures of appreciation, Harbor Star has exemplified its deep-rooted values of environmental responsibility and community partnership, further solidifying its image as a socially conscious and caring corporate entity.

In conclusion, Harbor Star's multifaceted CSR initiatives underscore its position as an industry leader and highlight its unwavering dedication to environmental responsibility and community welfare. By integrating sustainable practices with community engagement, the company sets a shining example for corporate entities looking to make a meaningful impact on society and the environment.

7 AFFORDABLE AND CLEAN ENERGY

Nurturing Nature for a Sustainable Future

As part of its unwavering commitment to environmental stewardship, Harbor Star actively participates in initiatives aimed at conserving and protecting natural resources. Beyond its core operations, the organization recognizes the importance of contributing to broader environmental conservation efforts.

One notable endeavor in this regard is participation in nationwide Coastal Cleanup initiatives. Acknowledging the critical importance of coastal ecosystems, Harbor Star mobilizes team members to join coastal cleanup events, where they collaborate with local communities to remove debris and waste from shorelines. By actively engaging in

these efforts, Harbor Star not only contributes to the preservation of coastal habitats but also raises awareness about marine conservation among team members and the communities served.

Moreover, Harbor Star maintains a deep commitment to reforestation efforts aimed at mitigating the impacts of deforestation and climate change. Through active participation in tree planting activities, the organization contributes to the restoration of degraded landscapes and the enhancement of biodiversity. By planting trees in strategic locations, Harbor Star not only offsets carbon emissions but also creates valuable habitats for wildlife, promotes soil conservation, and enhances the resilience of ecosystems against environmental threats.

The engagement in these environmental initiatives underscores the belief in the collective responsibility shared in safeguarding the planet for future generations. Through active participation in coastal clean-ups and tree-planting activities, Harbor Star exemplifies dedication to sustainable practices and environmental conservation beyond the confines of its operational footprint.

Moving forward, Harbor Star maintains a commitment to expanding environmental stewardship efforts, exploring new avenues for collaboration and innovation to address pressing environmental challenges. Through continued partnership with local communities, government agencies, and environmental organizations, Harbor Star strives to make a meaningful and lasting impact on the preservation and protection of the planet's precious natural resources.

Harbor Star Energy Corp. (HSEC) (Solar Power Farm)

Harbor Star recognizes the importance of sustainable energy solutions. The solar power plant generates clean electricity through photovoltaic panels. All of its energy output—23,050,690 kilowatt-hours (KWh) as of December 31, 2023—is supplied to SOCOTECO-II. By harnessing solar energy, HSEC significantly reduces carbon emissions. The solar panels convert sunlight into electricity without greenhouse gas emissions, making it an environmentally friendly choice. SOCOTECO-II benefits from the solar power plant's additional capacity, enhancing its contracted supplies.

As the area's power demand continues to grow, this renewable energy source plays a crucial role in meeting future energy requirements. Harbor Star's investment in ADGI reflects its commitment to sustainability. By participating in solar power generation, the company not only contributes to a greener future but also positions itself in an industry poised for growth. As General Santos City develops over the next decade, Harbor Star's solar initiative will continue to make a positive impact on both the environment and shareholder value.

Harbor Star Energy's solar power farm exemplifies responsible energy production, economic viability, and environmental stewardship.

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 102-49 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				
	Organizational Profile			
GRI 102: General Disclosures 2016	102-1	Name of the organization	Refer to Annual Report Page 1 : Company Profile	
	102-2	Activities, brands, products, and services	Refer to Annual Report Pages 11-13: Operational Highlights	
	102-3	Location of headquarters	Refer to Annual Report Inside Back Cover: Offices	
	102-4	Location of operations	Refer to Annual Report Pages 1-2 : Company Profile	
	102-5	Ownership and legal form	Refer to Annual Report Pages 1-2 : Company Profile	
	102-6	Markets served	Refer Annual Report Page 130 : HSSSI Base Ports	
	102-7	Scale of the organization	Refer to Page 42: Employee Management	
	102-8	Information on employees and other workers	Refer to Page 43: Employee Management	
	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 IMS certified, we are using the ISO standards when planning our processes and projects balancing the three pillars of sustainability.	
	102-12	External initiative	Refer to Pages 49-50: U.N. SDGs	
	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 Page 8 : Message to Our Stockholders	
	Ethics and Integrity			
	102-16	Values, principles, standards, and norms of behavior	Refer to Annual Report Page 7 : Mission, Vision, Corporate Values	
	Governance			
	102-18	Governance structure	Refer to Annual Report Pages 16-17 : Corporate Governance	
	Stakeholder Engagement			
	102-40	List of stakeholder groups	Refer to Pages 38-39	
	102-41	Collective bargaining agreements		None to report
	102-42	Identifying and selecting stakeholders	Refer to Pages 38-39	
	102-43	Approach to stakeholder engagement	Refer to Pages 38-39	
	102-44	Key topics and concerns raised	Refer to Pages 38-39	
	Reporting Practice			
	102-45	Entities included in the consolidated financial statements	Parent and Subsidiaries	
	102-46	Defining report content and topic boundaries	Refer to Pages 36-37	
	102-47	List of material topics	Refer to Pages 36-37	
	102-48	Restatements of information		None to report
	102-49	Changes in reporting		None to report
	102-50	Reporting period	Refer to Page 35	
	102-51	Date of most recent report	2022	
	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	Refer to Page 35	
	102-55	GRI Content Index	Refer to Pages 53-56	
	102-56	External assurance		Not applicable
MATERIAL TOPICS				
Economic Performance				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	Refer to Page 36	
	103-2	The management approach and its components	Refer to Pages 36-37	
	103-3	Evaluation of the management approach	Refer to Page 40	
GRI 201: Economic Performance 2016	201-1	Direct Economic Value Generated and Distributed	Refer to Page 40t	

Environmental Performance				
Energy				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	Refer to Page 36	
	103-2	The management approach and its components	Refer to Pages 36-37	
	103-3	Evaluation of the management approach	Refer to Page 45	
GRI 302: Energy 2016	302-1	Energy consumption within the organization	Refer to Page 45	
Water				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	Refer to Page 36	
	103-2	The management approach and its components	Refer to Pages 36-37	
	103-3	Evaluation of the management approach	Refer to Page 45	
GRI 303: Water 2016	303-1	Water withdrawal	Refer to Page 45	
Emission				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	Refer to Page 36	
	103-2	The management approach and its components	Refer to Pages 36-37	
	103-3	Evaluation of the management approach	Refer to Page 45	
GRI 305: Air Emissions 2016	305-1	Direct (Scope 1) GHG Emissions	Refer to Page 45	
	305-2	Energy indirect (Scope 2) GHG Emissions	Refer to Page 45	
Hazardous Wastes				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	Refer to Page 36	
	103-2	The management approach and its components	Refer to Pages 36-37	
GRI 302: Waste 2016	103-3	Evaluation of the management approach	Refer to Page 45	
	306-4	Hazardous Waste	Refer to Page 45	
Social Performance				
Employment				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	Refer to Page 36	
	103-2	The management approach and its components	Refer to Pages 36-37	
	103-3	Evaluation of the management approach	Refer to Page 41	
GRI 401: Employment 2016	401-1	Employee Data	Refer to Page 42	
	401-2	Employee Benefits	Refer to Page 42	

Occupational Safety and Health				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	Refer to Page 36	
	103-2	The management approach and its components	Refer to Pages 36-37	
	103-3	Evaluation of the management approach	Refer to Page 47	
GRI 403: Occupational Safety and Health	403-9	Occupational Safety and Health	Refer to Page 47-48	
Training and Education				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	Refer to Page 36	
	103-2	The management approach and its components	Refer to Pages 36-39	
	103-3	Evaluation of the management approach	Refer to Page 41	
GRI 404 : Training and Education	404-1	Employee Training and Development	Refer to Pages 43, 47	
Diversity and Equal Opportunity				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	Refer to Page 36	
	103-2	The management approach and its components	Refer to Pages 36-37	
	103-3	Evaluation of the management approach	Refer to Page 41	
GRI 405: Diversity and Equal Opportunity	405-1	Diversity and Equal Opportunity	Refer to Page 43	
Local Communities				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	Refer to Page 36	
	103-2	The management approach and its components	Refer to Pages 36-39, 46, 49-52	
	103-3	Evaluation of the management approach	Refer to Page 43, 46, 49-52	
GRI 413 : Local Communities 2016	413-1	Significant Impacts on Local Communities	Refer to Page 43, 46, 49-52	

Statement of Management's Responsibility for Financial Statements

The management of Harbor Star Shipping Services, Inc. is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2023 and 2022, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

(Original Signed)
MR. GERONIMO P. BELLA, JR.
PRESIDENT

(Original Signed)
MR. RICARDO RODRIGO P. BELLA
VICE PRESIDENT

(Original Signed)
MR. DANY CLEO B. USON
CHIEF FINANCE OFFICER

Signed this 26th day of April 2024.

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Independent Auditor's Report

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

Report on the Audits of the Separate Financial Statements

Our Opinion

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the financial position of Harbor Star Shipping Services, Inc. (the "Parent Company") as at December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS).

What we have audited

The separate financial statements of the Parent Company comprise:

- the statements of financial position as at December 31, 2023 and 2022;
- the statements of total comprehensive income for the years ended December 31, 2023 and 2022;
- the statements of changes in equity for the years ended December 31, 2023 and 2022;
- the statements of cash flows for the years ended December 31, 2023 and 2022; and
- the notes to the separate financial statements, including material accounting policy information.

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

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the separate 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 separate financial statements.

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

- Identify and assess the risks of material misstatement of the separate 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 Parent Company's internal control.

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

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

Independent Auditor's Report
To the Board of Directors and Shareholders of
Harbor Star Shipping Services, Inc.
Page 3

- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate 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.

Report on the Bureau of Internal Revenue Requirement

Our audit was conducted for the purpose of forming an opinion on the basic separate financial statements taken as a whole. The supplementary information in Note 29 to the separate financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic separate financial statements. Such supplementary information is the responsibility of management and has been subjected to the auditing procedures applied in our audit of the basic separate financial statements. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic separate financial statements taken as a whole.

Isla Lipana & Co.

Pocholo C. Domondon
Partner
CPA Cert. No. 108839
P.T.R. No. 0011401; issued on January 12, 2024 at Makati City
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 November 14, 2025

Makati City
April 26, 2024

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

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

We have audited the separate financial statements of Harbor Star Shipping Services, Inc. (the "Parent Company") as at and for the year ended December 31, 2023, on which we have rendered the attached report dated April 26, 2024.

In compliance with SRC Rule 68 and based on the certification received from the Parent Company's corporate secretary and the results of work performed by us, the Parent Company has 113 shareholders owning one hundred (100) or more shares each as at December 31, 2023.

Isla Lipana & Co.

Pocholo C. Domondon
Partner
CPA Cert. No. 108839
P.T.R. No. 0011401; issued on January 12, 2024 at Makati City
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Makati City
April 26, 2024

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

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

We have audited the separate financial statements of Harbor Star Shipping Services, Inc. (the "Parent Company") as at and for the year ended December 31, 2023, on which we have rendered the attached report dated April 26, 2024. The supplementary information shown in the Reconciliation of Parent Company's Retained Earnings Available for Dividend Declaration as required by Part I Section 5 of the Revised SRC Rule 68, is presented for purposes of filing with the Securities and Exchange Commission and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management and has been subjected to the auditing procedures applied in the audit of the basic financial statements. In our opinion, the supplementary information has been prepared in accordance with the Revised SRC Rule 68 of the Securities Regulation Code.

Isla Lipana & Co.

Pocholo C. Domondon
Partner
CPA Cert. No. 108839
P.T.R. No. 0011401; issued on January 12, 2024 at Makati City
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Harbor Star Shipping Services, Inc.

Statements of Financial Position
As at December 31, 2023 and 2022
(All amounts in Philippine Peso)

	Notes	2023	2022
Assets			
Current assets			
Cash	2	174,014,318	99,867,385
Trade and other receivables, net	3	473,292,373	426,572,054
Advances to related parties, net	23	952,730,919	1,011,567,687
Prepayments and other current assets	4	343,762,111	332,878,227
Total current assets		1,943,799,721	1,870,885,353
Non-current assets			
Property and equipment at revalued amounts, net	6	2,228,711,492	1,986,633,155
Property and equipment at cost, net	7	324,886,327	390,438,517
Right-of-use of assets, net	8	79,866,643	55,939,176
Computer software, net	9	6,520,820	12,243,950
Investment properties	10	69,983,207	54,004,619
Investments in subsidiaries and associates, net	5	193,503,973	176,976,475
Other non-current assets, net	11	242,267,685	274,648,577
Total non-current assets		3,145,740,147	2,950,884,469
Total assets		5,089,539,868	4,821,769,822
Liabilities and Equity			
Current liabilities			
Trade and other payables	12	460,706,768	461,199,619
Short-term loans	13	-	22,728,600
Borrowings, current portion	13	228,328,144	254,630,200
Lease liabilities, current portion	8	8,806,651	5,832,256
Advances from related parties	23	47,657,473	31,157,478
Total current liabilities		745,499,036	775,548,153
Non-current liabilities			
Borrowings, net of current portion	13	1,565,890,657	1,781,549,591
Lease liabilities, non-current	8	17,774,652	3,397,438
Trade payable, non-current portion	12		7,112,842
Deferred income tax liabilities, net	24	242,806,990	169,535,869
Retirement benefit obligation	22	163,575,951	141,538,081
Total non-current liabilities		1,990,048,250	2,103,133,821
Total liabilities		2,735,547,286	2,878,681,974
Equity			
Share capital	14	907,857,870	907,857,870
Additional paid-in-capital	14	121,632,762	121,632,762
Treasury shares	14	(37,614,990)	(37,614,990)
Revaluation surplus, net of tax	6	1,011,329,099	740,711,027
Fair value reserve on financial assets at fair value through other comprehensive income	11	(160,000)	(160,000)
Retained earnings		350,947,841	210,661,179
Total equity		2,353,992,582	1,943,087,848
Total liabilities and equity		5,089,539,868	4,821,769,822

The notes on pages 1 to 52 are integral part of these separate financial statements.

Harbor Star Shipping Services, Inc.

Statements of Total Comprehensive Income
For the years ended December 31, 2023 and 2022
(All amounts in Philippine Peso)

	Notes	2023	2022
Service income, net	16	2,173,991,044	2,024,822,152
Cost of services	17	(1,494,611,935)	(1,400,863,106)
Gross profit		679,379,109	623,959,046
General and administrative expenses	18	(361,924,546)	(285,525,622)
Net impairment losses on financial asset	3, 18	(43,524,479)	(2,563,162)
Other income (expense), net	20	63,830,559	(28,172,707)
Impairment loss on property and equipment, net	6	(30,769,801)	(71,274,873)
Operating income		306,990,842	236,422,682
Finance cost	21	(153,130,501)	(162,723,239)
Income before income tax		153,860,341	73,699,443
Income tax (expense) benefit	24	(42,754,803)	30,781,781
Income for the year		111,105,538	104,481,224
Other comprehensive income			
Items that will not be subsequently reclassified to profit or loss			
Revaluation increment on tugboats, net of tax	6	302,414,453	490,537,263
Remeasurements of retirement benefits, net of tax	22	(2,615,257)	(16,323,060)
Total other comprehensive income		299,799,196	474,214,203
Total comprehensive income for the year		410,904,734	578,695,427
Earnings per share			
Basic and diluted	15	0.12	0.12

The notes on pages 1 to 52 are integral part of these separate financial statements.

Harbor Star Shipping Services, Inc.

Statements of Changes in Equity
For the years ended December 31, 2023 and 2022
(All amounts in Philippine Peso)

	Share capital (Note 14)	Additional paid-in capital (Note 14)	Treasury shares (Note 14)	Revaluation surplus, net of tax (Note 6)	Fair value reserve on financial assets at fair value through other comprehensive income	Retained earnings	Total equity
Balances at January 1, 2022	907,857,870	121,632,762	(37,614,990)	286,743,411	(160,000)	85,933,368	1,364,392,421
Comprehensive loss							
Income for the year	-	-	-		-	104,481,224	104,481,224
Other comprehensive income (loss)							
Revaluation increment on tugboats (Note 6)	-	-	-	490,537,263	-	-	490,537,263
Remeasurements on retirement benefits, net of tax (Note 22)	-	-	-	-	-	(16,323,060)	(16,323,060)
Total comprehensive income	-	-	-	490,537,263	-	88,158,164	578,695,427
Depreciation transfer of revaluation surplus	-	-	-	(29,715,598)	-	29,715,598	-
Disposal transfer of revaluation surplus	-	-	-	(6,854,049)	-	6,854,049	-
Balances at December 31, 2022	907,857,870	121,632,762	(37,614,990)	740,711,027	(160,000)	210,661,179	1,943,087,848
Comprehensive income							
Income for the year	-	-	-	-	-	111,105,538	111,105,538
Other comprehensive income (loss)							
Revaluation increment on tugboats (Note 6)	-	-	-	302,414,453	-	-	302,414,453
Remeasurements on retirement benefits, net of tax (Note 22)	-	-	-	-	-	(2,615,257)	(2,615,257)
Total comprehensive income	-	-	-	302,414,453	-	108,490,281	410,904,734
Depreciation transfer of revaluation surplus	-	-	-	(31,796,381)	-	31,796,381	-
Balances at December 31, 2023	907,857,870	121,632,762	(37,614,990)	1,011,329,099	(160,000)	350,947,841	2,353,992,582

The notes on pages 1 to 52 are integral part of these separate financial statements.

Harbor Star Shipping Services, Inc.

Statements of Cash Flows
For the years ended December 31, 2023 and 2022
(All amounts in Philippine Peso)

	Notes	2023	2022
Cash flows from operating activities			
Income before income tax		153,860,341	73,699,443
Adjustments for:			
Depreciation and amortization	6, 7, 9	448,297,485	332,415,460
Interest expense	21	153,130,501	162,723,239
Net impairment losses on financial asset	3	43,524,479	2,563,162
Impairment loss, net	6	30,769,801	71,274,873
Retirement benefit expense	22	19,974,945	14,635,614
Provision for impairment of input VAT	11	15,571,336	7,907,144
Amortization of right-of-use assets	8	4,251,905	5,746,486
Unrealized foreign exchange loss, net	25	1,661,835	(4,381,707)
Amortization of leasehold rights	11	1,039,929	769,930
Loss on sale of property and equipment	20	-	42,618,496
Loss on debt restructuring	13, 20	-	22,892,226
Interest income	2, 3, 20	(827,628)	(90,870)
Dividend income	5, 20	(9,895,945)	(8,537,452)
Operating profit before changes in assets and liabilities		861,358,984	724,236,044
(Increase) decrease in:			
Trade and other receivables		(90,372,478)	(31,532,099)
Advances to related parties		58,836,768	44,803,151
Prepayments and other current assets		(80,300,630)	(39,913,377)
Other non-current assets		(708,961)	(19,153,885)
Increase (decrease) in:			
Trade and other payables		(6,230,871)	47,331,432
Advances from related parties		-	-
Cash generated from operations		742,582,812	725,771,266
Interest received	2, 3, 20	827,628	90,870
Retirement obligation paid	22	(1,424,085)	(231,200)
Net cash provided by operating activities		741,986,355	725,630,936
Cash flows from investing activities			
Proceeds from disposal of property and equipment	6, 7	-	19,638,342
Additions in investments in subsidiaries		(27,500)	-
Acquisition of investment properties	10	(2,500,000)	(1,810,714)
Acquisition of property and equipment and computer software	6, 7, 9	(237,423,193)	(282,573,299)
Net cash used in investing activities		(239,950,693)	(264,745,671)
Cash flows from financing activities			
Dividend received	5, 20	9,895,945	8,537,452
Proceeds from borrowings	13	-	9,211,669
Payment for the interest portion of lease liabilities	8	(429,360)	(828,687)
Payment for the principal portion of lease liabilities	8	(7,827,763)	(7,078,258)
Net settlements of short-term loans	13	(22,728,600)	(1,486,839)
Interest paid	13	(167,075,502)	(155,818,915)
Payment of borrowings	13	(238,303,559)	(300,636,271)
Net cash used in financing activities		(426,468,839)	(448,099,849)
Net increase in cash		75,566,823	12,785,416
Cash at the beginning of year		99,867,385	87,637,851
Effect of foreign exchange rate changes on cash		(1,419,890)	(555,882)
Cash at the end of year	2	174,014,318	99,867,385

The notes on pages 1 to 52 are integral part of these separate financial statements.

Harbor Star Shipping Services, Inc.

Notes to the Separate Financial Statements
As at and for the years ended December 31, 2023 and 2022
(In the notes, all amounts are shown in Philippine Peso unless otherwise stated)

1 Business information

1.1 General information

Harbor Star Shipping Services, Inc. (HSSSI or the "Parent Company") was incorporated and registered with the Philippines Securities and Exchange Commission (SEC) on July 5, 1988. The primary and secondary purpose of the Parent Company is to invest, own, operate, venture into domestic and international maritime commerce, domestic and international manning recruitment, transport in and between ports of the Philippines, domestic and international port and terminal operations, construction and rehabilitation of marine facilities and real estate development.

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 14). The Parent Company did not have any follow on offering subsequent to its initial public offering.

As a public company, it is covered by Part I Section 2A(i) of the Revised Securities Regulation Code (SRC) Rule 68, and also covered by additional requirements under Revised SRC Rule 68, Part II.

As at December 31, 2023, the Parent Company has 114 shareholders (2022 - 117), 113 of which holds at least 100 common shares (2022 - 114). The Parent Company's major shareholders are its own directors holding 68.93% of its total issued shares and the remaining 31.07% of total issued shares are held by the public as at December 31, 2023 and 2022.

The Parent Company's registered office, which is also its principal place of business, is located at 2224 A. Bonifacio Street corner Pres. Sergio Osmena 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, from 2019 to 2026.

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 (COC) 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. The construction of the initial 25MW solar power plant was completed in the second quarter of 2019.

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

ADGI’s commercial production is deemed to have commenced when management determines that the completion of operational commissioning of plant components is completed, operating results are being achieved consistently for a period of time and that there are indicators that these operating results will be sustained. 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.

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. As at report date, renewal application is on-going.

In 2020, ADGI commenced commercial operations for the entire year. On January 26, 2022, 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.

<u>Harbor Star East Asia (Myanmar) Limited (HSEAM)</u>

On April 20, 2018, the Parent Company subscribed to 97% or equivalent to 48,500 shares of the 50,000 authorized shares of 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 permit is from February 6, 2018 to February 5, 2023. The validity of permit was renewed and extended until March 6, 2025.

<u>Hi-Energy Marine Services, Inc. (HEMSI)</u>

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 P85,368,971. 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.

<u>Kaibuok Star Shipyard Inc. (KSSI)</u>

On June 6, 2023, HSSSI subscribed to 30% of the issued and outstanding capital stock of Kaibuok Star Shipyard Inc. (KSSI) for a total amount of P16,499,998, which remains to be outstanding as at December 31, 2023. As a result, KSSI became an associate. As at report date, KSSI remains in the pre-operating phase.

<u>Other business updates</u>

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 Parent Company 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 Approval of the Parent Company's separate financial statements

These separate financial statements have been reviewed and authorized for issuance by the Parent Company's BOD on April 26, 2024.

2 Cash

Cash as at December 31 consist of:

	2023	2022
Cash in banks	139,734,923	97,876,327
Cash on hand	2,279,395	1,991,058
Cash equivalents	32,000,000	-
	174,014,318	99,867,385

Interest income earned from cash in banks for the year ended December 31, 2023 amounted to P236,566 (2022 - P90,870) (Note 20).

The carrying values of cash represent maximum exposure to credit risk other than cash on hand. While cash is also subject to the impairment of Philippine Financial Reporting Standards (PFRS) 9, the identified impairment loss was immaterial.

3 Trade and other receivables, net

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

	2023	2022
Trade receivables	274,164,964	272,814,044
Allowance for impairment of trade receivables	(77,835,952)	(34,311,473)
	196,329,012	238,502,571
Advances to officers, employees and others	250,622,074	197,613,853
Allowance for impairment of advances to officers, employees and others	(23,625,837)	(23,625,837)
	226,996,237	173,988,016
Unbilled revenue	49,967,124	14,081,467
	473,292,373	426,572,054

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

Advances to officers and employees represent outstanding balances with existing employees and regular collections are made through liquidation and salary deduction. As at December 31, 2023, advances to officers representing key management personnel amounted to P68,493,415 (2022 - P33,282,791) (Note 23).

The carrying value of trade and other receivables as at December 31, 2023 and 2022 approximates their fair value as at reporting date.

Allowance for impairment

The Parent Company 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 24 months before January 1, 2023 and 2022 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 Parent Company 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.

For advances to officers and others and other receivables, the Parent Company applies a general approach in calculating expected credit losses. The Parent Company recognizes a loss allowance based on either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk on these financial assets since initial recognition.

The Parent Company's financial assets are categorized based on the Parent Company'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.

On that basis, the loss allowance from trade receivables as at December 31 was determined as follows:

	High performing	Underperforming	Credit impaired	
	Current	Up to 6 months past due	Over 12 months past due	Total
Expected loss rate	Within 0% to 3%	Within 0% to 6%	1 to 100%	
December 31, 2023				
Trade receivables	42,481,656	167,773,486	63,909,822	274,164,964
Loss allowance	1,274,450	12,651,680	63,909,822	77,835,952
December 31, 2022				
Trade receivables	107,982,917	146,771,575	32,141,019	286,895,511
Loss allowance	808,847	1,361,607	32,141,019	34,311,473

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

	2023	2022
Beginning of year	57,937,310	55,374,148
Provision for impairment of trade and other receivables	43,524,479	2,563,162
End of year	101,461,789	57,937,310

There were no additional provision for impairment of advances to officers, employees and other receivables for the years ended December 31, 2023 and 2022.

For the year ended December 31, 2023, the Parent Company recognized interest income amounting to P591,062 as a result of the late payment of a third-party customer relating to the salvage services provided. (Note 20).

Unbilled revenue pertains to revenue that has been recognized as earned but not yet billed to the customer from operations in relation to diving and other underwater services and construction projects of the Parent Company. As at reporting date, the costs incurred and estimated earnings in excess of billings on uncompleted contracts have not been invoiced and as such they represent a contract asset.

The Parent Company recognized contract assets of P49,967,124 as at December 31, 2023 (2022 - P14,081,467) for revenue accrued based on percentage of completion at year-end. The movement on contract assets is mainly attributable to the completed projects and additional accruals for unbilled costs.

Critical accounting estimate and assumptions

Recoverability of trade and other receivables

The allowance for impairment related to the Parent Company's trade receivables is based on assumptions about risk of default and expected loss rates. The Parent Company uses estimates in making these assumptions and selecting the inputs to the impairment calculation, based on the Parent Company'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.

Estimates and assumptions 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 Parent Company and that are believed to be reasonable under the circumstances.

4 Prepayments and other current assets

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

	Notes	2023	2022
Construction advances		121,728,437	149,168,309
Allowance for construction advances		-	(24,521,086)
		121,728,437	124,647,223
Input value added tax (VAT), net	11	101,054,640	55,305,753
Prepayments		57,884,615	46,155,811
Advances to suppliers		40,863,926	40,863,926
Prepaid income taxes		18,758,261	62,668,813
Refundable deposits	8	3,472,232	3,236,701
		343,762,111	332,878,227

Construction advances pertain to advances to suppliers, contractors and employees related to construction projects subject to liquidation. Allowance for construction advances pertains to impaired portion of uncompleted projects. There were no additional provisions recognized during 2023 and 2022. In 2023, the Parent Company wrote off the previously fully-provided construction advances due to high likelihood that this amount will not be liquidated.

Prepayments consist of mainly unexpired hull and machinery insurance, motor car insurance, life and health insurance, 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 twelve (12) months.

5 Investments in subsidiaries and associates

As at December 31, the Parent Company has the following investments in subsidiaries and associates:

	Relationship	% of interest held 2023	2022	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. Osmena Bangkal Makati, Metro Manila.
Harbor Star East Asia (Myanmar) Limited (HSEAM)	Subsidiary	100%	100%	Myanmar	HSEAM was incorporated in Myanmar and registered on February 6, 2018 primarily engage in providing consultancy and support services , including , (but not limited to) underwater, marine, maritime-related businesses in Myanmar. Its registered address, which is also its principal place of business is No. Level 8 A, Union Financial Center, Corner of Mahabandoola and Thein Phyu Road, Botahtaung Township, Yangon.
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.
Harbor Star Construction Corporation (HSCC)	Subsidiary	100%	100%	Philippines	HSCC was incorporated on April 23, 2022 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.
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.

Hi-Energy Marine Services, Inc. (HEMSI)	Associate	31%	31%	Philippines	HEMSI was incorporated and registered with the Philippine SEC on February 13, 2012, primarily to engage in towage, ocean towage, mooring, maritime commerce and navigation. Its registered address, which is also its principal place of business, is located at Rm. 306, Velco Center cor. Senior Oca & Delgado Sts., South Port Area, Manila.
Kaibuok Star Shipyard Inc. (KSSI)	Associate	30%	-	Philippines	KSSI was incorporated and registered with the Philippine SEC on July 24, 2023, primarily to build, construct, fabricate, repair, own, manage, operate, maintain, buy, sell, or otherwise deal in and with ships, vessels, boats, and marine structures of every kind and nature, graving docks, drydocks, floating docks, various land, and other structures and other conveniences for building, repairing, or docking of ships and other vessels for building and repairing marine and other land structures. Its registered address, which is also its principal place of business, is located at Polloc Freeport and Economic Zone Polloc, Parang, Maguindanao, Autonomous Region in Muslim Mindanao.

Investments in subsidiaries and associates as at December 31 consist of:

	2023	2022
Subsidiaries		
HSEC	46,875,000	46,875,000
HSCC	29,999,997	29,999,997
Peak Flag	7,205,724	7,205,724
HSEAM	2,526,782	2,526,782
HSSC	1,277,500	1,250,000
	87,885,003	87,857,503
Associates		
HEMSI	85,368,972	85,368,972
GETC	3,750,000	3,750,000
KSSI	16,499,998	-
	105,618,970	89,118,972
	193,503,973	176,976,475

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

	Note	2023	2022
Beginning of year		176,976,475	176,976,475
Additions	1.2	16,527,498	-
End of year		193,503,973	176,976,475

On March 22, 2023, HSSC renewed its accreditation to engage in domestic shipping business. As mandated by MARINA Regional Office, HSSC increased its additional paid-in capital amounting to P27,500.

Set out below is the summarized financial information of Peak Flag at December 31 which is accounted for using the cost method.

	2023	2022
Total current assets	165,755,310	226,863,589
Total non-current assets	217,506,794	172,733,247
Total current liabilities	325,634,356	337,765,250
Total non-current liabilities	26,810,108	9,682,008
Net assets	30,817,640	52,149,578
Total revenue/income	111,294,607	97,361,867
Total expenses	(130,275,942)	(81,995,324)
Total income (loss) for the year	(18,981,335)	15,366,543
Total comprehensive income (loss)	(18,981,335)	15,366,543
Net cash provided by operating activities	2,328,912	35,442,160
Net cash provided by (used in) financing activities	(21,644,116)	34,704,057

Set out below are the summarized financial information of the Parent Company's associates, GETC and HEMSI, as at December 31:

	2023		2022	
	HEMSI	GETC	HEMSI	GETC
Total current assets	277,945,228	25,685,359	281,917,001	14,781,369
Total non-current assets	189,918,980	78,161,011	206,014,911	90,812,853
Total current liabilities	77,739,259	5,367,119	75,521,062	6,412,087
Total non-current liabilities	-	-	-	14,299,989
Net assets	390,124,949	98,479,251	412,410,850	84,882,146
Total revenue	374,438,532	17,040,625	365,305,885	23,842,857
Total profit for the year	36,011,923	13,590,273	26,319,466	5,122,019
Total other comprehensive income	-	-	-	-
Total comprehensive income	36,011,923	13,590,273	26,319,466	5,122,019

In 2023, the Parent Company received dividend income from HEMSI with a total amount of P9,895,945 (2022 - P8,537,452) (Note 20).

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 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 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 as subsidiary as at December 31, 2023 and 2022.

(b) Impairment of investments in subsidiaries and associates

The Parent Company's investments in subsidiaries and associates are 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 management assessment and judgment could have a significant effect on the carrying value of investments in subsidiaries and associates and the amount and timing of recorded provision for any period.

As at December 31, 2023 and 2022, 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 subsidiaries and associates may not be recoverable.

6 Property and equipment at revalued amounts, net

Details and movements of property and equipment at revalued amounts, net as at December 31 are as follows:

	Notes	2023	2022
As at January 1			
Revalued amount		16,012,061,089	7,992,388,353
Accumulated depreciation		(14,025,427,934)	(6,522,554,943)
Net carrying amount		1,986,633,155	1,469,833,410
For year ended December 31			
Opening net carrying amount		1,986,633,155	1,469,833,410
Additions		162,367,737	148,927,712
Disposal			
Cost		-	(69,054,624)
Accumulated depreciation		-	59,915,891
Depreciation	17	(292,738,870)	(205,764,046)
Revaluation increment on tugboats			
Cost		4,822,658,656	7,939,799,648
Accumulated depreciation		(4,419,439,385)	(7,285,749,963)
Impairment loss		(61,947,863)	(71,274,873)
Reversal of impairment loss		31,178,062	-
Closing net carrying amount		2,228,711,492	1,986,633,155
At December 31			
Revalued amount		20,997,087,482	16,012,061,089
Accumulated depreciation		(18,768,375,990)	(14,025,427,934)
Net carrying amount		2,228,711,492	1,986,633,155

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:

	2023	2022
As at January 1		
Cost	2,599,988,793	2,510,976,972
Accumulated depreciation	(1,600,970,340)	(1,423,468,111)
Net carrying amount	999,018,453	1,087,508,861
Year ended December 31		
Opening net carrying amount	999,018,453	1,087,508,861
Additions	162,367,737	148,927,712
Disposal		
Cost	-	(59,915,891)
Accumulated depreciation	-	59,915,891
Depreciation	(250,343,696)	(166,143,247)
Impairment loss	(61,947,863)	(71,274,873)
Reversal of impairment loss	31,178,062	-
Closing net carrying amount	880,272,693	999,018,453
At December 31		
Cost	2,762,356,530	2,599,988,793
Accumulated depreciation	(1,882,083,837)	(1,600,970,340)
Net carrying amount	880,272,693	999,018,453

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

	Note	2023	2022
Beginning of year		987,614,702	382,324,549
Revaluation increment on tugboats		403,219,271	654,049,685
Amortization of revaluation increment through depreciation		(42,395,174)	(39,620,799)
Amortization of revaluation increment through asset disposal		-	(9,138,733)
End of year, gross of tax		1,348,438,799	987,614,702
Tax rate		25%	25%
Deferred income tax liability	24	(337,109,700)	(246,903,675)
End of year, net of tax		1,011,329,099	740,711,027

As at December 31, 2023, certain tugboats with a net carrying value of P1,689,887,618 (2022 - P1,126,785,857) were valued at P2,062,337,088 (2022 - P1,709,560,668) by accredited independent appraisers. The tugboats were revalued based on both market and cost approach due to the specialized nature of the properties. The fair value hierarchy of these assets is Level 2. The net revaluation increment of the tugboats for the years ended December 31 are as follows:

	2023	2022
Revaluation increment	443,272,825	662,901,916
Decrease in prior year revaluation increment	(40,053,554)	(8,852,231)
Impairment loss	(30,769,801)	(71,274,873)
	372,449,470	582,774,812

Certain tugboats were used as collateral to secure the loans obtained from various banks (Note 13). As at December 31, 2023, the Parent Company's tugboats used as collaterals have net carrying amount of P1,280,216,610 (2022 - P1,492,404,242).

In 2022, the Parent Company sold a tugboat with a carrying value of P9,138,733 for a total consideration of P4,464,286 resulting in a loss amounting to P4,674,447 (Note 20). The total consideration was received in cash during the year. No tugboat was disposed in 2023.

In 2023, the Parent Company acquired one of the tugboats of GETC amounting to P13.50 million. As at December 31, 2023, the Parent Company's unpaid acquisitions of property and equipment related to tugboats amounted to P40,086,195 (2022 - P23,537,295), which is considered as non-cash investing activity.

Critical accounting estimates

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

The Parent Company'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.

If the actual useful lives of the property and equipment differ by +/- 10% from management's estimates, the carrying amount of property and equipment at revalued amount, net as at December 31, 2023 would have been P7,085,481 higher or P8,660,032 lower (2022 - P4,349,642 higher or P5,316,229 lower). The range used was based on the management's assessment where potential impact to operations might occur.

(b) Revaluation of tugboats

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

The Parent Company 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 revalued amount.

The Parent Company engaged independent valuation specialists in determining the fair value of its tugboats as at December 31, 2023 and 2022. Management deems that the revalued amounts of tugboats not subjected to the independent appraisal in 2023 and 2022 still approximate the fair value as at reporting dates with these tugboats only recently acquired at substantially comparable prices.

The fair value of tugboats was determined using both market approach and cost approach. Under the market approach, an estimate was made using prices and other relevant information based on market transactions of comparable assets. Prices were derived from market listings of identical tugboats. Under the cost approach, an estimate was made of the current cost of reproduction and/or replacement of the property in accordance with prevailing market prices for materials, equipment and labor, among others. Prices were derived from available dealers and manufacturers. If certain materials are of foreign origin, pricing process considered import costs including freight and handling. Adjustments are then made to reflect depreciation resulting from physical deterioration plus any functional and economic obsolescence taking into account age and condition.

7 Property and equipment at cost, net

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

	Land	Barges	Building and building improvements	Transportation equipment	Diving and oil spill, and other equipment	Furniture, fixtures and leasehold improvements	Construction equipment	Construction-in-progress	Total
As at January 1, 2022									
Cost	39,556,011	667,988,051	102,498,616	65,143,038	204,380,137	3,765,367	12,853,841	17,839,999	1,114,025,060
Accumulated depreciation	-	(382,956,317)	(55,133,865)	(58,094,317)	(183,653,528)	(3,558,940)	(12,534,093)	-	(695,931,060)
Net carrying amount	39,556,011	285,031,734	47,364,751	7,048,721	20,726,609	206,427	319,748	17,839,999	418,094,000
Year ended December 31, 2022									
Opening net carrying amount	39,556,011	285,031,734	47,364,751	7,048,721	20,726,609	206,427	319,748	17,839,999	418,094,000
Additions	-	63,045,066	5,422,589	12,294,642	49,570,734	162,557	8,303,928	4,863,483	143,662,999
Disposal									
Cost	-	(116,370,065)	-	(5,652,959)	(29,861)	-	-	-	(122,052,885)
Accumulated depreciation	-	63,257,169	-	5,652,959	24,652	-	-	-	68,934,780
Reclassification - cost	-	-	(1,034,643)	1,034,643	-	-	-	-	-
Depreciation	-	(82,905,551)	(8,664,222)	(7,141,944)	(18,542,525)	(89,566)	(856,569)	-	(118,200,377)
Closing net carrying amount	39,556,011	212,058,353	43,088,475	13,236,062	51,749,609	279,418	7,767,107	22,703,482	390,438,517
At December 31, 2022									
Cost	39,556,011	614,663,052	106,886,562	72,819,364	253,921,010	3,927,924	21,157,769	22,703,482	1,135,635,174
Accumulated depreciation	-	(402,604,699)	(63,798,087)	(59,583,302)	(202,171,401)	(3,648,506)	(13,390,662)	-	(745,196,657)
Net carrying amount	39,556,011	212,058,353	43,088,475	13,236,062	51,749,609	279,418	7,767,107	22,703,482	390,438,517
Year ended December 31, 2023									
Opening net carrying amount	39,556,011	212,058,353	43,088,475	13,236,062	51,749,609	279,418	7,767,107	22,703,482	390,438,517
Additions	-	45,601,598	1,552,737	2,597,133	26,740,797	-	112,495	250,047	76,854,807
Reclassification - cost	-	-	-	-	-	-	4,107,143	-	4,107,143
Reclassification - accumulated depreciation	-	-	-	-	-	-	(4,107,143)	-	(4,107,143)
Depreciation	-	(107,801,167)	(7,978,663)	(2,909,467)	(22,318,494)	(156,694)	(1,242,512)	-	(142,406,997)
Closing net carrying amount	39,556,011	149,858,784	36,662,549	12,923,728	56,171,912	122,724	6,637,090	22,953,529	324,886,327
At December 31, 2023									
Cost	39,556,011	660,264,650	108,439,299	75,416,497	280,661,807	3,927,924	25,377,407	22,953,529	1,216,597,124
Accumulated depreciation	-	(510,405,866)	(71,776,750)	(62,492,769)	(224,489,895)	(3,805,200)	(18,740,317)	-	(891,710,797)
Net carrying amount	39,556,011	149,858,784	36,662,549	12,923,728	56,171,912	122,724	6,637,090	22,953,529	324,886,327

As at December 31, 2023, the Parent Company's unpaid acquisitions of property and equipment amounted to P20,174,860 (2022 - P27,495,921), which is considered as non-cash investing activity.

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

	Notes	2023	2022
Cost of services	17	129,169,423	99,901,082
General and administrative expenses	18	13,237,574	18,299,295
		142,406,997	118,200,377

Construction-in-progress as at December 31, 2023 and 2022 mainly comprise of condominium property and warehouse 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 13) amounted to P13.56 million and P94.21 million, respectively, as at December 31, 2023 (2022 - P13.78 million and P190.25 million, respectively).

In 2022, the Parent Company sold barges and equipment with a net carrying value of P53,118,105 for a total consideration of P15,174,056 resulting in a total loss on disposal amounting to P37,944,049 (Note 20). The total consideration as received in cash in 2022. There were no disposals of property and equipment in 2023.

In 2023, the Parent Company reclassified the cost of construction equipment under lease amounting to P4,107,143 to property and equipment, net (Note 8). This was considered a non-cash transaction in the statement of cash flows.

Critical accounting estimates

Useful lives of property and equipment at cost

The Parent Company's management determines the estimated useful lives for its property and equipment at cost 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.

If the actual useful lives of the property and equipment differ by +/- 10% from management's estimates, the carrying amount of property and equipment at cost amount, net as at December 31, 2023 would have been P7,085,481 higher or P8,660,032 lower (2022 - P6,306,757 higher or P7,708,259 lower). The range used was based on the management's assessment where potential impact to operations might occur.

Critical accounting judgment

Impairment of property and equipment

The Parent Company's property 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 assessments and judgments could have a significant effect on the carrying value of property and equipment and the amount and timing of recorded provision for any period.

As at December 31, 2023 and 2022, based on management's assessment and judgment, there are no indications of impairment or changes in circumstances indicating that the carrying value of its property and equipment, except for tugboats, may not be recoverable.

8 Leases

The Parent Company has entered into long term and short term lease agreements in 2023 and 2022.

(a) Long term lease agreements

(i) Office space and warehouse lease

The Parent Company entered into two (2) operating lease agreements 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, and was renewed for another two (2) years until February 14, 2023. The most recent renewal of the contract for office space in is until February 14, 2025.

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 initially covers a period of one (1) year from April 1, 2019 to March 31, 2020, and is renewed annually until March 31, 2023. The most recent renewal of the lease agreement is for another two (2) years until March 31, 2025. As at December 31, 2023 and 2022, the required security deposit amounted to P50,400. These are presented as refundable deposits under “Other non-current assets” (Note 11) in the separate statements of financial position in 2023 and 2022.

The Parent Company entered into an 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 three (3) consecutive years to end on January 4, 2024. The lease agreement is renewable for another year upon agreement by both parties.

In 2023, the Parent Company entered into one (1) operating lease agreement for Iloilo branch office space which is located at Unit No. 2 & 3, Ground Floor, Sea Eagle Boulevard, Brgy. Libertad, Lapuz, Iloilo City. The lease term of the Iloilo Branch office covers a period of two (2) years from March 1, 2023, to February 28, 2024, subject to renewal upon agreement by both parties.

(ii) Barge Queen Jade

The Parent Company 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) 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, 2022. 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. On February 1, 2023, upon expiration of the lease, the ownership of the construction equipment was transferred to the Parent Company and was capitalized under "Property and equipment" in the separate statement of financial position (Note 7).

(iv) Land

On October 21, 2023, the Parent Company entered into a memorandum of agreement for the transfer of rights, title, and interest over a 5.3450-hectare parcel of land in Bauayan Island, Poblacion San Vicente, Palawan. Under the agreement, the Parent Company will have the right to possess, occupy and use the property during the pendency of the agreement and until execution of the deed of assignment and transfer of rights upon fully payment by the end of the lease term. Considering these provisions in the contract, the Parent Company assessed that this agreement qualifies as a finance lease under PFRS 16, Leases.

On December 12, 2018, the Parent Company made its first downpayment amounting to P3.0 million, and was initially recognized as leasehold rights. The second downpayment amounting to P1.0 million was made on October 3, 2023, followed by the first monthly installment of P500,000 which will start on December 23, 2023. The Parent Company shall make 51 monthly payments afterwards.

As a result of such, the Parent Company recognized a right-of-use asset relating to parcel of land amounting to P26,953,066 upon commencement of the first monthly payment in December 2023, P3.0 million of which was reclassified from leasehold rights (Note 11).

(b) Short-term lease agreements

(i) Office space

The Parent Company has 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 expenses from the foregoing lease agreements recognized in profit or loss for the years ended December 31 are as follows:

	Notes	2023	2022
Cost of services	17	11,452,962	2,225,736
General and administrative expenses	18	3,750,393	783,762
		15,203,355	3,009,498

These short-term lease agreements require the Parent Company to pay the refundable deposits which are presented within prepayments and other current assets in the separate statement of financial position. As at December 31, 2023 and 2022, refundable deposits amounted to P3.5 million and P3.2 million, respectively, (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.

(i) Amounts recognized in the separate statement of financial position

Right-of-use assets and lease liabilities are presented as separate line items in the separate statement of financial position. The carrying amount of right-of-use asset and its movement as at and for the years ended December 31 are as shown below:

	Office space and warehouse	Construction equipment	Barge Queen Jade	Land	Total
Cost					
At January 1, 2022	3,397,997	4,107,143	72,975,686	-	80,480,826
Additions	1,600,919	-	-	-	1,600,919
At December 31, 2022	4,998,916	4,107,143	72,975,686	-	82,081,745
Accumulated amortization					
At January 1, 2022	2,699,928	2,224,702	15,471,453	-	20,396,083
Amortization (Notes 17,18)	1,368,541	1,711,310	2,666,635	-	5,746,486
At December 31, 2022	4,068,469	3,936,012	18,138,088	-	26,142,569
Net carrying amount	930,447	171,131	54,837,598	-	55,939,176
Cost					
At January 1, 2023	4,998,916	4,107,143	72,975,686	-	82,081,745
Additions	1,226,306	-	-	26,953,066	28,179,372
Reclassification	-	(4,107,143)	-	-	(4,107,143)
At December 31, 2023	6,225,222		72,975,686	26,953,066	106,153,974
Accumulated amortization					
At January 1, 2022	4,068,469	3,936,012	18,138,088	-	26,142,569
Amortization (Notes 17,18)	1,414,139	171,131	2,666,635	-	4,251,905
Reclassification	-	(4,107,143)	-	-	(4,107,143)
At December 31, 2023	5,482,608	-	20,804,723	-	26,287,331
Net carrying amount	742,614	-	52,170,963	26,953,066	79,866,643

Movements in the lease liabilities for the years ended December 31 are as follows:

	2023	2022
Lease liabilities		
At January 1	9,229,694	14,707,033
Additions	25,179,372	1,600,919
Principal payments	(7,827,763)	(7,078,258)
Interest payments	(429,360)	(828,687)
Interest expense	429,360	828,687
At December 31	26,581,303	9,229,694
Lease liabilities		
Current	8,806,651	5,832,256
Non-current	17,774,652	3,397,438
	26,581,303	9,229,694

(ii) Amounts recognized in the separate statement of total comprehensive income

Amounts recognized in the separate statement of total comprehensive income for the years ended December 31, related to the lease agreements above follow:

	Notes	2023	2022
Amortization expense of right-of-use assets	17,18	4,251,905	5,746,486
Expense relating to short-term lease	17,18	15,203,355	3,009,498
Interest expense on lease liabilities	21	429,360	828,687
		19,884,620	9,584,671

The total cash outflows for the long-term and short-term leases for the year ended December 31, 2023 amounted to P23.46 million (2022 - P10.92 million). There were no lease modifications in 2023 and 2022.

(iii) Discount rate

The lease payments for the lease agreements are discounted at 1.87% to 5.84% in 2023 and 2022, which is the Parent Company's range of incremental borrowing rate, being the rate that the Parent Company 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.

(iv) Extension and termination options

Extension and termination options are included in the lease agreements of the Parent Company. These are used to maximize the operational flexibility in terms of managing the assets used in the Parent Company'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>

<u>*Incremental borrowing rate of lease liabilities*</u>

Payments for leases of the Parent Company 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 Parent Company 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 Parent Company uses the government bond yield, adjusted for the (1) credit spread specific to each entity under the Parent Company and (2) security using the right-of-use asset. The discount rates applied by the Parent Company are disclosed above.

<u>*Extension and termination options of lease agreements*</u>

Extension and termination options are included in a number of property and equipment leases of the Parent Company. These are used to maximize operational flexibility in terms of managing the assets used in the Parent Company's operations. The majority of extension and termination options held are exercisable only by the Parent Company and not by the respective lessor.

Extension options are considered in the bareboat charter lease agreement of the Parent Company based on the letter of intent.

<u>*Determining lease terms*</u>

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 Parent Company considers the factors below as the most relevant in assessing the options:

- If there are significant penalties to terminate (or not extend), the Parent Company is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Parent Company is typically reasonably certain to extend (or not terminate).
- Otherwise, the Parent Company considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

9 Computer software, net

The details of computer software, net as at December 31 and the movements in the account for the years then ended:

	2023	2022
Cost		
At January 1	37,975,713	36,697,986
Additions	7,428,488	1,277,727
At December 31	45,404,201	37,975,713
Accumulated amortization		
At January 1	25,731,763	17,280,726
Amortization	13,151,618	8,451,037
At December 31	38,883,381	25,731,763
Net book values	6,520,820	12,243,950

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. Management assessed that there are no indicators that computer software is impaired as at December 31, 2023 and 2022.

10 Investment properties

As at December 31, 2023 and 2022, the Parent Company's investment properties consist of parcels of land in various locations, which are held for capital appreciation.

The movements in investment properties for the years ended December 31 is as follows:

	Notes	2023	2022
Beginning of year		54,004,619	52,193,905
Additions		2,500,000	1,810,714
Reclassification	8,11	13,478,588	-
End of year		69,983,207	54,004,619

In 2023, the San Vicente, Palawan land previously recognized as leasehold rights is reclassified as Investment property. The management assessed that the asset qualifies as an investment property as the land is held for long-term capital appreciation (Note 11).

Additions during the year pertains to the land acquired by the Parent Company in Oriental Mindoro.

The estimated fair value of the investment properties in Lemery, Batangas as at December 31, 2023 and 2022 amounted to P526.88 million and P456.52 million, respectively, based on identified market prices. As at December 31, 2023, the Palawan and Oriental Mindoro land have an estimated fair value of P286.40 million and P296.03 million.

Direct operating expenses amounting to P1.69 million (2022 - P1.60 million), pertaining to the payment for the security and other expenses of Lemery and Palawan property, were incurred for the year ended December 31, 2023. There was no income earned related to the investment properties for the years ended December 31, 2023 and 2022.

Critical accounting judgment

The carrying value of the Parent Company'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, 2023 and 2022, 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.

11 Other non-current assets, net

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

	Note	2023	2022
Input VAT, net of output VAT		332,777,710	332,068,750
Allowance for impairment of input VAT		(91,370,425)	(75,799,089)
Input VAT, net		241,407,285	256,269,661
Leasehold rights, net		-	17,518,516
Financial assets at fair value through other comprehensive income (FVOCI)		810,000	810,000
Refundable deposits	8	50,400	50,400
		242,267,685	274,648,577

The movements in allowance for impairment of input VAT for the years ended December 31 are as follows:

	Note	2023	2022
Beginning of year		75,799,089	67,891,945
Provision for impairment of input VAT	18	15,571,336	7,907,144
End of year		91,370,425	75,799,089

The Parent Company previously had existing leasehold rights for a piece of land in San Vicente, Palawan for 25 years with a carrying value amounting to P16.48 million (2022 - P17.52 million).

The movements in leasehold rights for the years ended December 31 are as follows:

	Notes	2023	2022
Cost			
As at January 1 and December 31		20,598,235	20,598,235
Accumulated amortization			
As at January 1		(3,079,719)	(2,309,789)
Amortization	18	(1,039,929)	(769,930)
As at December 31		(4,119,648)	(3,079,719)
		16,478,587	17,518,516
Reclassification	8, 10	(16,478,587)	-
Net book value		-	17,518,516

Critical accounting estimate

Recoverability of input VAT

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, in determining provision for impairment of input VAT. A change in the provision would impact the Parent Company'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, 2023, P101,054,640 presented under "Prepayments and other current asset" (Note 4) in the statement of financial position (2022 - P55,305,753), will be realized in the next twelve (12) months after reporting date. The remaining balance amounting to P241,407,285 presented under "Other non-current assets" will be realizable beyond twelve (12) months after the reporting date (2022 - P256,269,661).

Management believes that the net carrying amount of input VAT is recoverable based on the long-term business plans of the Parent Company.

12 Trade and other payables

Trade and other payables as at December 31 consist of:

	Note	2023	2022
Current			
Trade payable		240,390,257	223,742,188
Accrued expenses			
Tug assistance		45,469,757	45,469,757
Fuel		42,497,254	39,743,982
Construction costs		36,986,835	31,124,462
Interest	13	16,737,723	28,092,401
Marketing		8,006,311	7,190,823
Employee-related costs		4,831,489	3,827,514
Others		10,652,121	10,320,047
Advances from officers and employees		29,655,763	45,989,684
Unearned income		9,373,484	11,772,473
Payable to government agencies		9,767,941	7,391,571
Others		6,337,833	6,534,717
		460,706,768	461,199,619
Non-current			
Trade payable, non-current		-	7,112,842

Trade payables are generally non-interest-bearing and are settled in 30 to 90 days term.

In 2021, the Parent Company entered into a 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, 2023, total interest expense charged to total comprehensive income amounted to P637,748 (2022 - P826,373) (Note 21).

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 mainly composed of outstanding payable to insurance companies and unliquidated expenses arising from normal operations which are expected to be settled in the subsequent year.

Accrued construction cost pertains to unliquidated expenses pertaining to advances of employees from operations in relation to the construction projects of the Parent Company.

Unearned income pertains to advance collections from customers. Unearned revenue amounting to P9,742,511 as at January 1, 2023 was recognized as service income in 2023 (2022 - P8,798,494).

The Parent Company has outstanding advances from officers amounting to P27,753,470 in 2023 (2022 - P35,749,979) (Note 23) which is part of advances from officers and employees.

13 Short-term loans and borrowings

Details of short-term loans and borrowings as at December 31 are as follows:

	2023	2022
Current		
Short-term loans	-	22,728,600
Borrowings, current portion	228,328,144	254,630,200
Non-current		
Borrowings, net of current portion	1,565,890,657	1,781,549,591
	1,794,218,801	2,058,908,391

The movements in short-term loans for the years ended December 31 are as follows:

	2023	2022
Beginning balance	22,728,600	522,271,500
Cash transactions		
Proceeds	-	23,625,270
Payments	(22,728,600)	(25,112,109)
Reclassification to borrowings	-	(498,000,000)
Foreign exchange gain	-	(56,061)
Ending balance	-	22,728,600

On October 28, 2022, the Parent Company entered into a new loan agreement with a director and shareholder for a principal of USD405,000 or P23,625,270 for working capital of the Parent Company. The loan bears an interest rate of 8.50% per annum and is payable monthly starting November 27, 2022. The principal amount of the loan was fully settled on July 25, 2023.

Details and movements in the financial liabilities related to borrowings as at and for the years ended December 31 are as follows:

	Notes	2023	2022
As at January 1		2,064,272,192	1,829,555,304
Proceeds from new borrowings		-	9,211,669
Interest expense	21	152,063,393	161,068,179
Principal payments		(238,303,559)	(300,636,271)
Interest payments		(167,075,502)	(155,818,915)
Reclassification from short-term loans		-	498,000,000
Loss on debt restructuring	20	-	22,892,226
As at December 31		1,810,956,524	2,064,272,192
Borrowings		1,794,218,801	2,036,179,791
Accrued interest	12	16,737,723	28,092,401
		1,810,956,524	2,064,272,192

As at December 31, 2023, the Parent Company’s long-term borrowings bear annual interest rate ranging from 6.50% to 9.60% (2022 - 5.25% to 9.23%) are payable in various installments maturing on various dates from 2023 to 2028. These are secured by chattel mortgages to certain Parent Company-owned tugboats (Note 6), transportation equipment and barges (Note 7).

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. There are no qualifying assets as at December 31, 2023 and 2022, hence, no borrowing costs are capitalized.

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 amounting to P146.3 million with maturity dates 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 debt 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%. Loss on debt modification was not recognized as it is deemed immaterial. On June 26, 2023, the Parent Company has fully paid the remaining principal and interest balance amounting to P28.09 million and P0.80 million, respectively.

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.

On June 30, 2022, the Parent Company entered into a loan restructuring agreement with Development Bank of the Philippines (DBP) whereby outstanding promissory notes were consolidated into one (1) promissory note with the principal amount of P496.6 million. The interest rate previously ranging from 5.25% to 5.50% was revised to 6.50%. The principal amount of the long-term borrowing amounting to P496.6 million is to be settled on December 29, 2028 in 24 quarterly payments starting March 30, 2023. A loss on debt restructuring amounting to P22,892,226 (Note 20) was recognized and the corresponding loan balance amounting was reclassified from short-term loans to borrowings in 2022. These are considered non-cash transactions in the statement of cash flow.

The restructured loan agreement with DBP requires compliance by the Parent Company to various covenants including, among others, the maintenance of financial ratios as follow:

- maintaining, at all times, during the entire term of the loan a total debt-to-equity ratio of 70:30;
- not permit the ratio of its current assets to current liabilities to be less than 1.0:1.0 at any time; and
- not permit the ratio of its net operating income to total debt service to be less than 1.0:1.0 at any time.

In 2023 and 2022, the Parent Company is compliant with all its debt covenants.

The fair value of long-term borrowings approximates its carrying value as at December 31, 2023 and 2022.

<u>Net debt reconciliation</u>

Detailed analysis of net debt and the movements in net debt for the years ended December 31 are presented below:

	Notes	2023	2022
Cash	2	174,014,318	99,867,385
Short-term loans	13	-	(22,728,600)
Borrowings, current portion	13	(228,328,144)	(254,630,200)
Borrowings, net of current portion	13	(1,565,890,657)	(1,781,549,591)
Interest payable	12	(16,737,723)	(28,092,401)
Unrealized foreign currency exchange gain		-	896,670
Lease liabilities, current portion	8	(8,806,651)	(5,832,256)
Lease liabilities, non-current portion	8	(17,774,652)	(3,397,438)
Net debt		(1,663,523,509)	(1,995,466,431)

As at December 31, 2022, borrowings denominated in foreign currency amounted to P22,728,600. Net unrealized foreign exchange adjustments for the year ended December 31, 2022 amounted to P896,670 gain. There are no borrowings denominated in foreign currency as at December 31, 2023.

14 Share capital

As at December 31, 2023 and 2022, 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, 2023 and 2022	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 September 5, 2017, the SEC issued an order, in favor or the Parent Company, authorizing the issuance of 302,619,290 common shares with a par value of P1.00 per share, as stock dividends to stockholders of record as of September 19, 2017, which was subsequently issued by the Parent Company on October 31, 2017.

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, 2023 and 2022.

15 Earnings per share

Basic earnings per share is calculated by dividing the net income 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 shares, if any.

Earnings per share for the years ended December 31 is calculated as follows:

	2023	2022
Net income for the year	111,105,538	104,481,224
Weighted average number of common shares	894,586,870	894,586,870
Basic and diluted earnings per share	0.12	0.12

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 for the years ended December 31 are:

	2023	2022
Harbor assistance, net of discounts	1,454,439,538	1,227,339,258
Oil spill response services	379,631,200	-
Lighterage services	96,869,535	103,948,842
Construction revenue	73,184,886	44,453,582
Towing services	55,581,814	49,058,498
Salvage income	8,928,060	470,972,084
Others	105,356,011	129,049,888
	2,173,991,044	2,024,822,152

Harbor assistance pertains to services rendered in assisting ships and other watercrafts in docking and undocking at the port. In 2023, the amount of service income recognized is net of discounts amounting to P102.18 million (2022 - P99.48 million).

On March 7, 2023, the Parent Company entered into a contract to provide oil spill response services to a third party for its MT Princess Empress which sank off Oriental Mindoro on February 28, 2023. The service has been completed in August 2023. Accordingly, the Parent Company recognized revenue amounting to P379.63 million which represents the amount collected as at December 31, 2023. The remaining amount to be recognized as revenue is still under negotiation between the two parties, thus the Parent Company assessed that the collectability of such is still uncertain as at report date.

Others consist of income generated from diving and other underwater services, among others. All of the above revenues are considered as one business segment of the Parent Company.

17 Cost of services

The components of cost of services for the years ended December 31 are:

	Notes	2023	2022
Fuel and lubricants		430,613,611	467,831,597
Depreciation	6, 7	421,908,293	305,665,128
Personnel costs	19	282,257,633	246,723,563
Supplies and construction materials		94,023,103	67,357,363
Outside services		74,814,047	90,156,243
Insurance		71,352,226	105,898,435
Charter hire		26,590,625	43,900,444
Transportation and travel		19,160,967	10,823,827
Repairs and maintenance		16,019,316	14,150,552
Rent	8	11,452,962	2,225,736
Professional fees		10,076,539	1,735,844
Port expense		8,564,802	8,052,458
Communication, light and water		5,662,791	3,340,696
Taxes and licenses		4,268,647	2,891,289
Amortization of right-of-use assets	8	2,837,766	4,377,945
Others		15,008,607	25,731,986
		1,494,611,935	1,400,863,106

Others are mainly composed of expenses such as post, courier and handling charges, commission, and other expenses.

18 General and administrative expenses

The components of general and administrative expenses for the years ended December 31 are:

	Notes	2023	2022
Personnel costs	19	146,104,752	125,180,997
Taxes and licenses		43,284,848	20,864,648
Representation and entertainment		38,746,733	25,766,078
Transportation and travel		30,109,921	23,387,022
Provision for impairment of input VAT	11	15,571,336	7,907,144
Depreciation	7	13,237,574	18,299,295
Amortization of computer software	9	13,151,618	8,451,037
Supplies		11,967,963	5,936,677
Security services		11,416,107	14,179,745
Professional and management fees		9,172,166	7,659,987
Communications, light and water		8,893,740	6,390,082
Repairs and maintenance		3,926,352	4,166,389
Rent	8	3,750,393	783,762
Registration and membership fees		1,799,400	2,517,819
Amortization right-of-use asset	8	1,414,139	1,368,541
Amortization of leasehold rights	11	1,039,928	769,930
Insurance		817,993	2,020,454
Advertising and promotions		143,009	204,683
Other expenses		7,376,574	9,671,332
		361,924,546	285,525,622

Others are mainly composed of expenses such as directors' fee, membership fees, postage, courier, bank service charges, penalties and fines, and other expenses.

The provision for impairment loss on financial assets for the year ended December 31, 2023 consist of provision for impairment of trade receivables amounting to P43,524,479 (2022 - P2,563,162).

19 Personnel cost

The components of personnel cost for the years ended December 31 are:

	Notes	2023	2022
Cost of services			
Salaries and wages		135,023,085	116,053,841
Crew expense		29,980,383	25,212,490
Tug and barge operations		18,321,597	18,294,973
Retirement benefit expense	22	14,544,141	11,044,354
Other employee benefits		84,388,427	76,117,905
	17	282,257,633	246,723,563
General and administrative expenses			
Salaries and wages		122,431,250	102,337,645
Retirement benefit expense	22	5,430,804	3,591,260
Separation pay		-	1,413,666
Other employee benefits		18,242,698	17,838,426
	18	146,104,752	125,180,997
		428,362,385	371,904,560

Other employee benefits mainly pertain to employer’s share on statutory contributions and insurance.

20 Other income (expense), net

The components of other income (expense), net for the years ended December 31 consist of:

	Notes	2023	2022
Insurance claims		40,640,732	22,600,425
Gain on reversal of other payables		13,015,811	-
Dividend income	5	9,895,945	8,537,452
Foreign exchange gain, net	25	1,060,779	4,555,289
Interest income	2, 3	827,628	90,870
Loss on debt restructuring	13	-	(22,892,226)
Loss on sale of property and equipment	6, 7	-	(42,618,496)
Others		(1,610,336)	1,553,979
		63,830,559	(28,172,707)

Insurance claims pertain to reimbursements from insurance companies for the damages on the tugboats incurred by the Parent Company in previous years.

Others pertain to recharges including wreckage, care taking services and non-routine special projects provided by the Parent Company to its customers which do not fall under regular service income.

21 Finance cost

The components of finance cost for the years ended December 31 consist of:

	Notes	2023	2022
Interest expense on loans	13	152,063,393	161,068,179
Interest expense on lease liabilities	8	429,360	828,687
Interest expense on trade payable	12	637,748	826,373
		153,130,501	162,723,239

22 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 Parent Company prepared by the independent actuary is for the year ended December 31, 2023.

The following are the details of the Parent Company’s defined benefit plan:

	Note	2023	2022
Retirement benefit obligation		163,575,951	141,538,081
Retirement benefit expense - recognized in profit or loss	19	19,974,945	14,635,614
Retirement benefit gain, net of tax - recognized in other comprehensive income		2,615,257	16,323,060

The Parent Company does not have any plan assets.

The movements in the liability recognized in the separate statements of financial position as at December 31 are as follows:

	2023	2022
Beginning of year	141,538,081	105,369,587
Current service cost	11,891,539	10,038,273
Interest cost	8,083,406	4,597,341
Benefits paid	(1,424,085)	(231,200)
Remeasurement loss (gain) due to:		
Experience adjustments	8,505,253	40,133,109
Changes in financial assumptions	8,270,271	(18,369,029)
Changes in demographic assumptions	(13,288,514)	-
End of year	163,575,951	141,538,081

The amounts recognized in profit or loss for the years ended December 31 are as follows:

	2023	2022
Current service cost	11,891,539	10,038,273
Net interest cost	8,083,406	4,597,341
Retirement benefit expense	19,974,945	14,635,614

Retirement benefit expense is included as part of personnel cost under cost of services and general and administrative expenses (Note 19).

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	2023	2022
Due to change in financial assumptions		8,270,271	(18,369,029)
Due to experience		8,505,253)	40,133,109
Due to change in demographic assumption		(13,288,514)	-
Remeasurement loss for the year		3,487,010	21,764,080
Deferred income tax	24	(871,753)	(5,441,020)
Remeasurement loss, net of tax		2,615,257	16,323,060

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 separate statements of financial position follows:

	Note	2023	2022
Beginning of year		10,692,299	27,015,359
Remeasurement loss for the year		(3,487,010)	(21,764,080)
Deferred income tax effect	24	871,753	5,441,020
End of year, net of tax		8,077,042	10,692,299

Shown below is the maturity analysis of the undiscounted benefit payments at December 31:

	2023	2022
Less than one year	69,071,143	59,777,655
More than one year to five years	62,651,499	56,467,905
More than five years to 10 years	41,265,653	38,331,693
More than 10 years to 15 years	77,413,515	81,328,663
More than 15 years to 20 years	81,028,155	100,295,745
More than 20 years	156,104,305	215,309,030
Total expected payments	487,534,270	551,510,691

The average duration of the defined benefit obligation at the end of the reporting period is 8.46 years (2022 - 9.27 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 2023 are consistent with those applied in 2022.

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:

	2023	2022
Discount rate	6.10%	7.24%
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:

	2023			2022		
	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%	(7,321,689)	8,388,023	1%	(6,846,640)	8,697,994
Salary growth rate	1%	9,255,551	(8,253,243)	1%	7,853,020	(7,729,458)

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.

23 Related party transactions and balances

The table below summarizes the Parent Company's transactions with its related parties for the years ended December 31:

	Terms and conditions	2023	2022
(a) 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.	63,070,507	30,526,960
Subsidiary		(11,302,582)	(10,250,298)
(b) Recharges			
Subsidiary	These are recharges for services rendered by the Parent Company based on agreed prices. These are unsecured, collectible in cash, non-interest bearing, and are due and demandable.	30,212,537	36,174,909
(c) Advances to			
Subsidiary	Reimbursements to related party are billed at cost and collectible on demand. These receivables are unsecured, collectible in cash and non-interest bearing.	(78,741,241)	37,368,893

The table below summarizes the outstanding balances with related parties as at December 31:

	Terms and conditions	2023	2022
Advances to related parties:			
Subsidiaries	These unsecured, non-interest bearing, due on demand and are collected in cash.	952,730,919	1,011,567,687
Officers	These are unsecured, non-interest bearing and are subject to liquidation.	68,493,415	33,282,791
		1,021,224,334	1,044,850,478
Advances from related party:			
Subsidiary	These unsecured, interest bearing, due and demandable payables are paid in cash.	47,657,473	31,157,478
Officers		27,753,470	35,749,979
		75,410,943	66,907,457

Key management compensation and benefits

Key management compensation and benefits for the years ended December 31 consist of:

	Terms and conditions	2023	2022
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 Parent Company's payroll period. These were fully paid at reporting date.	70,436,426	62,622,314
Retirement benefits	Retirement benefits are determined and payable in accordance with policies disclosed in Note 28.13. These will be settled upon retirement of key management.	7,414,088	3,402,465
Professional fees	Professional fees are paid to a director holding key position in the Parent Company.	520,000	665,000
		78,370,514	66,689,779

As at December 31, 2023 and 2022, amounts due to and from key management personnel are reflected as part of advances to and from officers (Notes 3 and 12) and retirement benefit obligation (Note 22).

The Parent Company 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, 2023 and 2022.

For the year ended December 31, 2023 and 2022, no provision for impairment of receivable from related parties.

24 Income tax expense

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, 2022, the MCIT rate shall be 1%, instead of 2%.

Starting July 1, 2023, the MCIT rate shall be 2%, instead of 1%. As such, the Parent Company has applied the MCIT rate of 1.5% for the year ended December 31, 2023.

For the years ended December 31, corporate income tax was measured using the following RCIT rate or MCIT rate, as applicable:

	2023	2022
RCIT	25%	25%
MCIT	1.5%	1%

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.

Income tax expense (benefit) for the years ended December 31 is as follows:

	2023	2022
Current	69,416,747	7,207,792
Deferred	(26,661,944)	(37,989,573)
	42,754,803	(30,781,781)

Deferred income tax (DIT) assets (liabilities), net as at December 31 consist of

	2023	2022
DIT assets		
Retirement benefit obligation	40,893,988	35,384,520
Impairment loss on tugboats	25,511,169	17,818,718
Allowance for impairment of receivables	25,365,447	14,484,328
Premium on loans	3,937,344	5,124,386
Unrealized foreign exchange loss, net	285,854	-
Provision for construction advances	-	6,130,272
	95,993,802	78,942,224
DIT liabilities		
Revaluation increment on property and equipment	(337,109,700)	(246,903,675)
Lease liabilities	(1,208,442)	(689,479)
Discount on loans	(482,650)	(755,335)
Unrealized foreign exchange gain, net	-	(129,604)
	(338,800,792)	(248,478,093)
DIT liabilities, net	(242,806,990)	(169,535,869)

The maturity of DIT assets and liabilities are as follows:

	2023	2022
DIT assets:		
Expected to be recovered within 12 months	25,651,301	20,614,600
Expected to be recovered more than 12 months	70,342,501	58,327,624
	95,993,802	78,942,224
DIT liabilities		
Expected to be settled within 12 months	(1,208,443)	(819,083)
Expected to be settled more than 12 months	(337,592,349)	(247,659,010)
	(338,800,792)	(248,478,093)
	(242,806,990)	(169,535,869)

DIT assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority.

In compliance with the National Internal Revenue Code (NIRC) of 1997, the Parent Company pays the Minimum Corporate Income Tax (MCIT) or the normal income tax, whichever is higher. The MCIT is equal to 2% of gross taxable income for a taxable period. Any excess of the MCIT over the normal income tax is carried forward annually and credited against the normal income tax for the three (3) succeeding taxable years. The NIRC of 1997 also provided for the introduction of a NOLCO privilege, which can be carried over for the three (3) succeeding taxable periods immediately following the period of such loss.

On September 11, 2020, Republic Act (R.A.) No. 11494, otherwise known as “Bayanihan to Recover as One Act”, was passed into law to strengthen the government’s efforts in mitigating the effects of COVID-19 pandemic. Under R.A. No. 11494, NOLCO for taxable years 2020 and 2021 shall be carried over as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

DIT assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through the future taxable profits is probable. The details of unrecognized DIT assets related to NOLCO for the years ended December 31, 2023 and 2022 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	2023	2022
2019	2022	-	195,714,599
2020	2025	19,243,129	76,686,356
2021	2026	36,343,128	36,343,128
		55,586,257	308,744,083
Applied during the year		(55,586,257)	(253,157,826)
		-	55,586,257
Tax rate		25%	25%
		-	13,896,564

The details of unrecognized DIT asset on MCIT for the years ended December 31, 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 is presented below:

Year of incurrence	Year of expiration	2023	2022
2019	2022	-	5,403,066
2020	2023	4,898,181	4,898,181
2021	2024	3,688,060	3,688,060
2022	2025	7,207,793	7,207,793
		15,794,034	21,197,100
Expired during the year		(4,898,181)	(5,403,066)
Derecognized during the year		(7,207,793)	-
		3,688,060	15,794,034

Realization of the future tax benefits related to the DIT assets is dependent on many factors, including the Parent Company's 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 movement in the Parent Company's net DIT assets (liabilities) for the years ended December 31 follow:

	Notes	2023	2022
Beginning of year		(169,535,869)	(49,454,041)
DIT credited to profit or loss		26,661,944	37,989,573
DIT charged to other comprehensive income	6, 22	(99,933,065)	(158,071,401)
End of year		(242,806,990)	(169,535,869)

The reconciliation between income tax expense (benefit) computed at the statutory income tax rate and the actual income tax expense (benefit) as shown in the statements of total comprehensive income for the years ended December 31 is summarized as follows:

	2023	2022
Tax rate	25%	25%
Income tax benefit	38,465,085	18,424,861
Adjustments to income tax resulting from:		
Non-deductible expenses	20,704,625	9,026,424
Non-taxable income	(2,473,986)	(2,134,363)
Limitation on interest expense	14,785	5,679
Unrecognized MCIT	-	7,207,793
Interest income subjected to final tax	(59,142)	(22,718)
Application of unrecognized NOLCO	(13,896,564)	(63,289,457)
Income tax expense (benefit)	42,754,803	(30,781,781)

Critical accounting estimate

Recoverability of current and deferred income tax (DIT)

The recognition of DIT assets depends on management's assessment of adequate future taxable income against which the temporary differences can be applied. The Parent Company 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 Parent Company's management believes that the DIT assets other than NOLCO and MCIT at the end of each reporting period will be fully realized.

25 Foreign currency denominated monetary assets and liabilities

The Parent Company's foreign currency monetary assets and liabilities at December 31 are as follows:

	In USD	In JPY	In MYR
2023			
Assets			
Cash	515,941	968,018	-
Trade and other receivables	842,445	-	-
Advances to related parties	-	-	18,307,772
	1,358,386	968,018	18,307,772
Liabilities			
Trade and other payables	(147,296)	(14,349,826)	-
Net foreign currency assets (liabilities)	1,211,090	(13,381,808)	18,307,772
Year-end exchange rates	55.37	0.39	12.07
Peso equivalent	67,058,054	(5,259,051)	220,914,392
2022			
Assets			
Cash	165,976	1,003,490	-
Trade and other receivables	300,662	-	-
Advances to related parties	-	-	16,906,457
	466,638	1,003,490	16,906,457
Liabilities			
Trade and other payables	(138,626)	(10,955,955)	-
Short-term loans	(405,000)	-	-
	(543,626)	(10,955,955)	-
Net foreign currency assets (liabilities)	(76,988)	(9,952,465)	16,906,457
Year-end exchange rates	56.12	0.4174	12.6968
Peso equivalent	(4,320,567)	(4,154,159)	214,657,903

Foreign exchange gain, net presented under other income, net in the separate statements of total comprehensive income for the years ended December 31 consists of:

	Note	2023	2022
Realized foreign exchange gain, net		2,722,614	173,582
Unrealized foreign exchange gain (loss), net		(1,661,835)	4,381,707
	20	1,060,779	4,555,289

Unrealized foreign exchange gain, net on short term loans presented under finance cost in the statements of total comprehensive income for the year ended December 31, 2022 amounted to P896,670. There are no borrowings denominated in foreign currency as at December 31, 2023.

26 Critical accounting estimates, assumptions and judgments

In preparing the Parent Company's separate 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 separate financial statements are based upon management's evaluation of the relevant facts and circumstances as at the date of the separate 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

- Recoverability of trade and other receivables (Note 3)
- Useful lives of property and equipment (Notes 6 and 7)
- Revaluation of tugboats (Note 6)
- Retirement benefit obligation (Note 22)
- Recoverability of input VAT (Note 11)
- Current and deferred income tax (DIT) (Note 24)

(b) Critical judgments in applying the Parent Company's accounting policies

- Determining control over investments with ownership of less than half of the entity's total equity (Note 5)
- Impairment of investments in subsidiaries and associates (Note 5)
- Impairment of property and equipment (Note 7)
- Incremental borrowing rate of lease liability (Note 8)
- Extension and termination options of lease agreements (Note 8)
- Determine lease term (Note 8)
- Impairment of investment properties (Note 10)

27 Financial risk and capital management

27.1 Financial risk management

The Parent Company's BOD has the overall responsibility for the establishment and oversight of the Parent Company's risk management framework. The Parent Company's risk management policies are established to identify and manage the Parent Company'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 Parent Company'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.

27.2 Components of financial assets and liabilities

(a) Financial assets

The Parent Company's financial assets as at December 31 are as follows:

	Notes	2023	2022
Cash	2	174,014,318	99,867,385
Trade receivables, gross	3	274,164,964	272,814,044
Unbilled revenue	3	49,967,124	14,081,467
Advances to officers	23	68,493,415	33,282,791
Advances to related parties	23	952,730,919	1,011,567,687
Refundable deposits	4, 11	3,522,632	3,287,101
Financial assets at FVOCI	11	810,000	810,000
		1,523,703,372	1,435,710,475

Trade receivables are presented gross of allowance for impairment amounting to P77,835,952 as at December 31, 2023 (2022 - P34,311,473) (Note 3).

Advances to officers, employees and others amounting to P250,622,074 as at December 31, 2023 (2022 - P197,613,853) are considered non-financial assets as these are mainly subject to liquidation (Note 3).

The other components of prepayments and other current assets and non-current assets are considered non-financial assets.

(b) Financial liabilities

The Parent Company's financial liabilities as at December 31 are as follows:

	Notes	2023	2022
Trade and other payables	12	404,578,508	418,023,955
Advances from related parties	23	47,657,473	31,157,478
Short-term loans	13	-	22,728,600
Borrowings	13	1,794,218,801	2,036,179,791
Lease liabilities	8	26,581,303	9,229,694
		2,273,036,085	2,517,319,518

As at December 31, trade and other payable above exclude the following, which are considered as non-financial liabilities

	Note	2023	2022
Accrued construction cost	12	36,986,835	31,124,462
Unearned income	12	9,373,484	11,772,473
Payable to government agencies	12	9,767,941	7,391,571
		56,128,260	50,288,506

27.3 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 Parent Company's overseas transactions, which are primarily denominated in United States Dollar (USD) and Japanese Yen (JPY). The Parent Company also maintains US Dollar-denominated bank accounts. Further, the Parent Company has JPY payables from foreign suppliers for the purchase of certain tugboats (Note 12). To mitigate the Parent Company'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.

	2023			2022		
	Effect on income before tax					
Currency	Change in exchange rate	Increase	Decrease	Change in exchange rate	Increase	Decrease
USD	+/-1.34%	908,318	(908,318)	+/-10.54%	411,886	(411,886)
JPY	+/-5.85%	(326,516)	326,516	+/-5.14%	(224,926)	224,926
MYR	+/-4.97%	(11,535,727)	11,535,727	+/-4.41%	(9,075,386)	9,075,386

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 Parent Company is exposed to equity securities price risk because of the Parent Company's proprietary shares in golf and country club classified as FVOCI in the separate statements of financial position.

At December 31, 2023 and 2022, the Parent Company'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 Parent Company is exposed to interest rate risk from its loan from CTBC (Note 13). The Parent Company paid floating interest using the published Bloomberg Valuation Service (BVAL) plus a basis point spread of 3.5% or a minimum of 5.25%. In 2023, the Parent Company paid 9.20% interest rate (2022 - 6.69%).

At December 31, 2023, if the reference rates has increased/decreased by a total of 377 basis points (2022 - 274 basis points), pre-tax profit or loss would have been P14,637 million (2022 - P8.280 million) lower/higher and equity account will be P10.978 million (2022 - P16.210 million) lower/higher. The annual volatility are considered to be reasonable based on observation of current market rates.

The Parent Company's borrowings from other banks are subject to fixed rates and are measured at amortized cost, hence not subject to repricing and independent of changes in market interest rates.

27.4 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 Parent Company provides services only to recognized, creditworthy third parties. Individual risk limits are set based on internal ratings in accordance with limits set by the BOD. The utilization of credit limits is regularly monitored. In addition, the Parent Company's receivables are monitored on an ongoing basis and stringent collection policy enforced resulting in an insignificant exposure to bad debt.

The aging analysis of the Parent Company's financial assets that are exposed to credit risks are as follows:

	Notes	Gross amount	High performing	Underperforming	Credit impaired
December 31, 2023					
Cash in banks	2	171,734,923	171,734,923	-	-
Trade receivables, gross	3	274,164,964	42,481,656	153,847,356	77,835,952
Unbilled revenue	3	49,967,124	49,967,124	-	-
Advances to related parties	23	952,730,919	952,730,919	-	-
Refundable deposits	4,11	3,522,632	3,522,632	-	-
	2	1,452,120,562	1,220,437,254	153,847,356	77,835,952
December 31, 2022					
Cash in banks	2	97,876,327	97,876,327	-	-
Trade receivables, gross	3	286,895,511	107,982,917	144,601,121	34,311,473
Unbilled revenue	3	14,081,467	14,081,467	-	-
Advances to related parties	23	1,011,567,687	1,011,567,687	-	-
Refundable deposits	4,11	3,287,101	3,287,101	-	-
		1,413,708,093	1,234,795,499	144,601,121	34,311,473

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 2023 and 2022.

As at December 31, 2023 and 2022, 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 Parent Company deposits its cash in the following banks:

	2023	2022
Universal banks	145,533,908	78,950,690
Commercial banks	26,201,015	18,925,637
	171,734,923	97,876,327

The remaining item in cash presented in the separate statements of financial position pertains to cash on hand amounting to P2,279,395 as at December 31, 2023 (2022 - P1,991,058) (Note 2).

(ii) Trade receivables

There is no concentration of credit risk with respect to trade receivables as the Parent Company has a large number of customers. To minimize credit risk, the Parent Company transacts only with counterparties with good credit standing. As at December 31, 2023, trade receivables amounting to P42,481,656 (2022 - P107,982,917) are fully performing thus, collectible.

(iii) Advances to related parties

Advances to related parties amounting to P952,730,919 as at December 31, 2023 (2022 - P1,011,567,687) that are neither past due nor impaired consist primarily of various charges and advances for working capital purposes. These advances are fully recoverable as at December 31, 2023 and 2022.

(iv) Refundable deposits

Refundable deposits amounting to P3,522,632 as at December 31, 2023 (2022 - P3,287,101) pertain to deposits made to lessors for the lease of the Parent Company's office space and warehouse, which are refundable at the end of the respective lease term.

(b) Underperforming

Underperforming trade receivables as at December 31, 2023 amounting to P167,773,486 (2022 - P146,771,575) are related to a number of independent customers with no recent history of default. Management has assessed based on credit worthiness and existing relationship with customers and historical experience that these accounts are deemed fully collectible.

(c) Credit impaired

As at December 31, 2023, trade receivables amounting to P77,835,952 (2022 – P34,311,473) were 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.

27.5 Liquidity risk

The Parent Company manages liquidity risk by maintaining a balance between continuity of funding and flexibility. As part of its liquidity risk management, the Parent Company regularly evaluates its projected and actual cash flows.

The table below analyzes the Parent Company's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. Amounts disclosed in the table are the contractual undiscounted cash flows.

	Notes	Gross amount	Due and demandable	Less than 3 months	3-12 months	More than one year
December 31, 2023						
Trade and other payables	12	404,578,508	250,459,432	11,036,393	21,175,358	121,907,325
Advances from related parties	23	47,657,473	47,657,473	-	-	-
Short-term loans	13	-	-	-	-	-
Borrowings	13	1,780,400,027	-	51,874,353	155,113,711	1,573,411,963
Future interest payable on short-term loans and borrowings		330,835,607	-	37,174,648	101,263,905	192,397,054
Lease liabilities	8	26,581,303	-	2,601,716	6,204,935	17,774,652
Future interest payable on lease liabilities		3,149,099	-	385,615	935,505	1,827,979
		2,593,202,017	298,116,905	103,072,725	284,693,414	1,907,318,973
December 31, 2022						
Trade and other payables	12	418,023,955	383,456,429	5,987,631	12,425,360	16,154,535
Advances from related parties	23	31,157,478	31,157,478	-	-	-
Short-term loans	13	22,728,600	-	-	22,728,600	-
Borrowings	13	2,036,179,791	-	69,062,014	178,343,943	1,788,773,834
Future interest payable on short-term loans and borrowings		348,655,623	-	36,207,929	97,336,779	215,110,915
Lease liabilities	8	9,229,694	-	1,591,190	5,521,588	2,116,916
Future interest payable on lease liabilities		611,404	-	284,750	294,795	31,859
		2,866,586,545	414,613,907	113,133,514	316,651,065	2,022,188,059

The Parent Company expects to settle above financial liabilities in accordance with their contractual maturity.

Historically, maturing obligations are funded by cash flows from operating activities hence there is no perceived liquidity risks. Loans may be obtained only when there is a material capital expenditure.

27.6 Capital management

The primary objective of the Parent Company's capital management is to safeguard the Parent Company'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 Parent Company 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 Parent Company 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, 2023 and 2022.

The Parent Company monitors capital on the basis of the carrying amount of equity as presented in the face of the separate statements of financial position. The Parent Company's goal is to manage a debt-to-equity ratio not exceeding 2:1.

As at December 31, the Parent Company's debt-to-equity ratio calculated as follows:

	2023	2022
Total debt	2,281,506,872	2,536,450,546
Total equity	2,353,992,583	1,943,087,848
Debt-to-equity ratio	0.97:1	1.31:1

As at December 31, 2023 and 2022, the Parent Company has complied with the debt covenants on financial ratios.

The Parent Company computes its total debt as at December 31 as follows:

	Notes	2023	2022
Trade and other payables	12	460,706,768	468,312,461
Short-term loans	13	-	22,728,600
Borrowings	13	1,794,218,801	2,036,179,791
Lease liabilities	8	26,581,303	9,229,694
		2,281,506,872	2,536,450,546

The Parent Company computes its total equity as at December 31 as follows:

	Notes	2023	2022
Share capital	14	907,857,870	907,857,870
Additional paid-in capital	14	121,632,762	121,632,762
Treasury shares	14	(37,614,990)	(37,614,990)
Financial assets at FVOCI	11	(160,000)	(160,000)
Revaluation surplus, net of tax	14	1,011,329,099	740,711,027
Retained earnings		350,947,841	210,661,179
		2,353,992,582	1,943,087,848

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 twenty percent (20%) of their listed issued and outstanding shares to be held by public. The Parent Company is compliant with respect to this requirement as at December 31, 2023 and 2022.

28 Summary of material accounting policies

The principal accounting policies applied in the preparation of these separate financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

28.1 Basis of preparation

The separate financial statements of the Parent Company 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 and Sustainability Reporting Standards Council (FRSC) and adopted by the SEC.

These separate 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 FVOCI.

The Parent Company has prepared these separate financial statements for its use and for filing with the Bureau of Internal Revenue.

The Parent Company also prepares its consolidated financial statements in accordance with PFRS for the Parent Company and its subsidiaries (collectively “the Group”). The consolidated financial statements of the Group can be obtained from the Parent Company’s business address in Makati City (Note 1) and its official website.

Users of the separate financial statements should read these together with the Group’s consolidated financial statements as at and for the years ended December 31, 2023 and 2022 in order to obtain full information on the financial position, results of operations and changes in the financial position of the Group as a whole.

The preparation of separate 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 Parent Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the separate financial statements are summarized in Note 26.

<u>Changes in accounting policy and disclosures</u>

(a) New and amendment to existing standards and interpretations adopted by the Parent Company

The Parent Company has applied the following amendments for the first time for their annual reporting period commencing January 1, 2023:

- Disclosure of accounting policies - Amendments to PAS 1 and PFRS Practice Statement 2

  PAS 1, *“Presentation of Financial Statements”* was amended to require entities to disclose their material rather than their significant accounting policies. The amendments define what is ‘material accounting policy information’ (being information that, when considered together with other information included in an entity’s financial statements, can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements) 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 IFRS Practice Statement 2 Making Materiality Judgements was also amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

  The effects of adoption of amendments to PAS 1 and PFRS Practice Statement 2 as at January 1, 2023 are considered in the summary of material accounting policies disclosed in the financial statements.

- Definition of accounting estimates - Amendments to PAS 8

  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, whereas changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period.

  The adoption did not have a significant impact on the Parent Company's financial statements as at December 31, 2023.

- Deferred tax related to assets and liabilities arising from a single transaction - Amendments to PAS 12

  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, 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 the opening balance of 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.

  The adoption did not have any impact on the amounts recognized in prior periods and is not expected to significantly affect the current or future periods.

(b) New standards, amendments and interpretations not yet adopted by the Parent Company

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for December 31, 2023 reporting periods and have not been early adopted by the Parent Company. These standards, amendments or interpretations are not expected to have a material impact on the Parent Company in the current or future reporting periods and on foreseeable future transactions.

28.2 Business combination

The Parent Company applies the purchase or acquisition method to accounting 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 Parent Company. 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 Parent Company 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.

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 recognized 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 recognized directly in profit or loss.

28.3 Investments and other financial instruments

The Parent Company recognizes a financial instrument in the statement of financial position, when and only when, the Parent Company becomes a party to the contractual provisions of the instrument.

28.3.1 Financial assets

(a) Classification

The Parent Company classifies its financial assets in the following categories:

- those to be measured subsequently at fair value through other comprehensive income (FVOCI); 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.

Financial assets measured at FVOCI include financial assets at fair value through other comprehensive income, while financial assets measured at amortized cost include cash and cash equivalents, trade and other receivables, advances to related parties and refundable deposits.

(b) Impairment of financial assets

The Parent Company 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 Parent Company applies the ECL model to measure the impairment for all financial assets at FVOCI and at amortized costs.

The Parent Company 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).

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 Parent Company 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.

28.3.2 Financial liabilities

As at December 31, 2023 and 2022, the Parent Company's financial liabilities are limited to other financial liabilities at amortized cost.

The Parent Company's trade and other payables (excluding payable to government agencies and unearned revenue), due to related parties, short-term loans and borrowings, and lease liabilities are classified under other financial liabilities at amortized cost.

28.4 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the 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 Parent Company or the counterparty.

The Parent Company has right to offset intercompany payables and receivables as at December 31, 2023 and 2022. Total intercompany receivables offset against payables amounts to P173,256,928 in 2023 (2022 – P183,529,968).

28.5 Fair value measurement

The Parent Company's financial asset at FVOCI with quoted market price is valued using Level 1 of the fair value hierarchy as the quoted market price used is the current bid price. Financial assets at FVOCI is measured using inputs based on unadjusted quoted prices in active markets for identical assets or liabilities. Other relevant policies on financial asset at FVOCI are disclosed in Note 28.3.

The Parent Company has no other significant financial assets and liabilities carried at fair value.

For non-financial assets, the Parent Company uses valuation techniques that are appropriate in the circumstances and applies the technique consistently.

The Parent Company's tugboats are valued using Level 2 of the fair value hierarchy as these are measured using inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. The fair value of tugboats using (1) market approach where valuation made was based on market prices of identical and comparable tugboats; and (2) 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 Parent Company determines the fair value of its investment properties, which is carried at cost (Note 10), 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 Parent Company has no other significant non-financial assets and liabilities carried at fair value.

28.6 Prepayments and other assets

Input VAT are recognized as assets in the period such input VAT become available as tax credits to the Parent Company and carried over to the extent that it is probable that the benefit will flow to the Parent Company.

A provision for unrecoverable input VAT is established when there is objective evidence that the Parent Company 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.

28.7 Investments in subsidiaries and associates

Investment in subsidiaries and associate is accounted for using the cost method. Under this method, investments are recognized at cost and income from investment is recognized in profit or loss only to the extent that the Parent Company (as investor) receives distribution from accumulated profit of the investee arising after the acquisition date. Distributions received in excess of such profits are regarded as a recovery of investment and are recognized as a reduction of the cost of the investment.

The Parent Company determines at each reporting date whether there is any objective evidence that an investment in a subsidiary or in an associate is impaired. If this is the case, the Parent Company calculates the amount of impairment as the difference between the carrying value and recoverable amount of the subsidiary and associate and an allowance is set up for any substantial or permanent decline in the carrying value of the investment.

Investment in subsidiary is derecognized when it loses its control over an entity. Loss of control triggers remeasurement of the residual holding to fair value. Any difference between the fair value and carrying amount is a gain or loss on the disposal, recognized in profit or loss.

Investment in associate is derecognized when the Parent Company loses significant influence over an associate as a result of full or partial disposal. Thereafter, the Parent Company shall account for the investment in accordance with PFRS 9, Financial Instrument: Recognition and Measurement.

28.8 Property and equipment

All property 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 recognized, 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 recognized in profit or loss, the increase is first recognized in profit or loss. Decreases that reverse previous increases of the same asset are first recognized 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 Parent Company 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 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 Parent Company 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 are depreciated to reflect consumption benefits which are to be replaced or restored by the subsequent dry docking generally every two (2) years. The Parent Company has included these dry-docking expenses as part of tugboat component.

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	30 to 40
Barges	10 to 37
Building and building improvements	10 to 30
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 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.

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 28.10).

An item of property 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 statement of financial position.

28.9 Investment properties

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.

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.

28.10 Impairment of non-financial assets

Non-financial assets that have an indefinite useful life, such as land and investment in subsidiaries and associates, are not subject to amortization and are tested annually for impairment. Other non-financial assets, mainly property and equipment, right-of-use asset, investment properties, input VAT and investment in subsidiaries and associate, 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.

28.11 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.

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.

(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.

28.12 Current and deferred income tax

The income tax expense for the year comprises current and deferred income 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 separate 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.

Specifically, DIT is provided on the temporary difference between the carrying amount of the revalued property 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 derecognized when the related temporary difference are realized or settled.

28.13 Employee benefits

The Parent Company provides short-term, retirement and terminal benefits to its employees. The Parent Company 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 and undiscounted basis and are expensed as the related service is provided.

(b) Retirement benefit obligations

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.

(c) Termination benefits

The Parent Company recognizes termination benefits at the earlier of the following dates: (a) when the Parent Company 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.

28.14 Foreign currency transactions and translation

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.

28.15 Revenue recognition

(a) Sale of services

The Parent Company 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) Income from construction contracts

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.

The Parent Company recognizes on a net basis when it satisfies its promise to facilitate the service over a period of time when it is not a principal in a contract. For all the construction contracts, the Parent Company does not control the service before as it is transferred to the customer. The Parent Company is also not solely responsible for the service and discretion in establishing contract prices. The indicators therefore support that the Parent Company is not the principal for the construction contracts.

The Parent Company 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 statement of financial position.

(c) Financing components

The Parent Company 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 Parent Company does not adjust any of the transaction prices for the time value of money.

(d) 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 Parent Company 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 Parent Company'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.

(c) Other income

Other income is recognized in profit or loss when earned.

28.16 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 statement of financial position).

Costs and expenses are presented in the profit or loss according to their function.

28.17 Leases where the Parent Company is a lessee

Assets and liabilities arising from a lease are initially measured on a present value basis.

i. 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 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 Parent Company:

- 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).

ii. 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 Parent Company is reasonably certain to exercise a purchase option, the right-of-use asset is amortized over the underlying asset's useful life.

iii. 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.

28.18 Earnings (Loss) per share

(a) Basic

Basic earnings (loss) per share is calculated by dividing the profit attributable to equity holders 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 capitalization 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 (loss) 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, 2023 and 2022.

28.19 Reclassifications

Certain amounts in the 2022 statement of total comprehensive income and statement of cash flow have been reclassified to conform to the current year presentation particularly the reclassification of impairment loss on property and equipment, net amounting to P71.27 million from other income (expense), net to a separate financial statement line item, as well as the impact of foreign exchange loss to trade and other payables. Such reclassifications did not impact previously reported financial position, net income, retained earnings and net increase in cash in banks.

28.20 Events after the reporting date

Post year-end events that provide additional information about the Parent Company's financial position at the reporting date (adjusting events) are reflected in the separate financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the separate financial statements when material.

29 Supplementary information required by the Bureau of Internal Revenue (BIR)

The following Revenue Regulation 15-2010 information is presented for purposes of filing with the BIR and is not a required part of the basic financial statements.

(a) Output VAT

Output VAT declared for the year ended December 31, 2023 and the revenues upon which the same was based consist of:

	Gross amount of receipts	Output VAT
Sale of services		
Zero-rated	896,929,030	-
Subject to 12% VAT	484,200,671	58,104,081
	1,381,129,701	58,104,081

Zero-rated sales of services consist of export sales and those rendered to persons or entities whose exemptions are provided under special laws or international agreements to which the Philippines is a signatory.

The gross amount of revenues from sale of services presented in the table above are based on gross receipts while the revenues presented in the statement of total comprehensive income for the year ended December 31, 2023 are presented in accordance with the Parent Company's accounting policy on revenue recognition (Note 28.15).

(b) Input VAT

Movements in input VAT for the year ended December 31, 2023 are as follows:

Beginning of year	
Input VAT	363,646,297
Deferred input VAT	19,144,933
Total	382,791,230
Add: Domestic purchase of goods other than capital goods	44,791,317
Domestic purchases of services	27,963,123
Purchase of capital goods exceeding P1 million	-
Importation of goods other than capital goods	18,510,041
Purchase of capital goods not exceeding P 1million	-
Less: Capital goods exceeding P1.0 million for the succeeding period	-
Applied against output VAT	(58,104,081)
End of year	415,951,630

(c) Importations

The total landed cost of imports and the amount of custom duties and tariff fees paid for the year ended December 31, 2023 follows:

Landed cost of imports	46,071,711
Customs duties and tariff rates	1,151,305
Total	47,223,016

The above customs duties and tariff rates are lodged under taxes and licenses account in cost of services (Note 17).

(d) Excise tax

The Parent Company has no activities related to manufacture or production of certain specific goods or articles subject to excise tax for domestic sale or consumption or for any other disposition for the year ended December 31, 2023.

(e) Documentary stamp tax

The Parent Company did not have transactions requiring payment or accrual of documentary stamp tax for the year ended December 31, 2023.

(f) All other local and national taxes

All other local and national taxes paid for the year ended December 31, 2023 consist of:

License and permit fees	21,875,191
Gross receipt tax	2,488,709
Real property taxes	1,338,594
Others	6,835,357
	32,537,851

The local and national taxes are lodged under taxes and licenses account in cost of services (Note 17) and general and administrative expenses (Note 18).

(g) Withholding taxes

Movements in creditable withholding taxes, which include prior year excess credits for the year ended December 31 are as follows:

	Amount
Beginning of year	62,668,813
Add: Creditable withholding taxes from client	28,010,830
Less: Applied in 2023 income tax return	(71,921,382)
End of year	18,758,261

Withholding taxes paid and accrued for the year ended December 31, 2023 consist of:

	Paid	Accrued	Total
Withholding tax on compensation	14,655,593	968,076	15,623,669
Expanded withholding tax	13,119,421	1,373,113	14,492,534
	27,775,014	2,341,189	30,116,203

(h) Tax assessments and cases

On November 10, 2023, the Parent Company received a Letter of Authority (LOA) from the Bureau of Internal Revenue (BIR) to examine the Parent Company's books and other accounting records for all 2022 internal revenue taxes. As at this date, the Company has not received response from the BIR and is still at initial tax audit process.

On November 24, 2022, the Parent Company received a LOA from the BIR to examine the Parent Company's books and other accounting records for all 2021 internal revenue taxes. On August 29, 2023, the Company has settled in full the assessed amount.

The Parent Company has no tax cases nor litigation and/or prosecution in courts or bodies outside of the BIR as at and for the year ended December 31, 2023.

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