SECURITIES AND EXCHANGE COMMISSION

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Industry Classification: D35112
Company Type: Stock Corporation

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Keppel Philippines Marine

Keppel Philippines Marine, Inc.
Unit 3-B Country Space 1 Building
133 Sen. Gil Puyat Avenue
Salcedo Village, Brgy. Bel-Air
1200 Makati City
Philippines

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Fax: (632) 8815 2581
Email: mhq@keppelpm.com
commercial@keppelpm.com
Web: www.keppelphilippinesmarineinc.com

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Keppel Philippines Marine, Inc**. is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2022 and 2021, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud of error.

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

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

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

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

Chor How Jat
Chairman of the Board

Leong Kok Weng
President

Tong Wai Mun
Executive Vice President/Treasurer

Signed this **27th** day of **January 2023**.

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

A	S	0	9	2	0	0	7	8	5	8

COMPANY NAME

KEPPEL PHILIPPINES MARINE, INC.

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

UNIT 3-B COUNTRY SPACE 1 BUILDING 133 SEN. GIL PUYAT AVENUE SALCEDO VILLAGE, BRGY. BEL-AIR MAKATI CITY

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

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
mhq@keppelpm.com	(632) 8892-1816	09178570633

No. of Stockholders	Annual Meeting (Month/Day)	Fiscal Year (Month/Day)
298	06/17	12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
TONG WAI MUN	stefan.tong@keppelpm.com	(632) 8892-1816	-

CONTACT PERSON's ADDRESS

Unit 3B Country Space 1 Bldg, 133 Sen. Gil Puyat Ave., Salcedo Village, Brgy. Bel-Air,Makati City

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

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

Independent Auditor's Report

To the Board of Directors and Shareholders of
Keppel Philippines Marine, Inc.
Unit 3-B, Country Space 1 Building
133 Sen. Gil Puyat Avenue, Salcedo Village
Barangay Bel-Air, Makati City

Report on the Audits of the Financial Statements

Our Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Keppel Philippines Marine, Inc. (the "Company") as at December 31, 2022 and 2021, 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 financial statements of the Company comprise:

- the statements of financial position as at December 31, 2022 and 2021;
- the statements of total comprehensive income for the years ended December 31, 2022 and 2021;
- the statements of changes in equity for the years ended December 31, 2022 and 2021;
- the statements of cash flows for the years ended December 31, 2022 and 2021; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the 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 Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics), together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRS, 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.

Isla Lipana & Co., 29th Floor, Philamlife Tower, 8767 Paseo de Roxas, 1226 Makati City, Philippines
T: +63 (2) 8845 2728, F: +63 (2) 8845 2806, www.pwc.com/ph

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 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 financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

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

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

Isla Lipana & Co.

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 audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 25 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management and has been subjected to the auditing procedures applied in our audits of the basic financial statements. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Isla Lipana & Co.

Catherine H. Santos
Partner
CPA Cert. No. 0110097
P.T.R. No. 0011422; issued on January 9, 2023 at Makati City
SEC A.N. (individual) as general auditors 110097-SEC; Category A,
valid to audit 2020 to 2024 financial statements
SEC A.N. (firm) as general auditors 0142-SEC, Category A;
valid to audit 2020 to 2024 financial statements
T.I.N. 211-726-564
BIR A.N. 08-000745-132-2020; issued on June 5, 2020; effective until June 4, 2023
BOA/PRC Reg. No. 0142, effective until November 14, 2025

Makati City
January 27, 2023

Statement Required by Rule 68
Securities Regulation Code (SRC)

To the Board of Directors and Shareholders of
Keppel Philippines Marine, Inc.
Unit 3-B, Country Space 1 Building
133 Sen. Gil Puyat Avenue, Salcedo Village
Barangay Bel-Air, Makati City

We have audited the financial statements of Keppel Philippines Marine, Inc. (the "Company") as at and for the year ended December 31, 2022 on which we have rendered the attached report dated January 27, 2023.

In compliance with SRC Rule 68 and based on the certification we received from the Company's corporate secretary, the Company has two (2) shareholders, each owning one hundred (100) or more shares, as at December 31, 2022.

Isla Lipana & Co.

Catherine H. Santos
Partner
CPA Cert. No. 0110097
P.T.R. No. 0011422; issued on January 9, 2023 at Makati City
SEC A.N. (individual) as general auditors 110097-SEC; Category A,
valid to audit 2020 to 2024 financial statements
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Makati City
January 27, 2023

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Isla Lipana & Co.

Statement Required by Rule 68
Securities Regulation Code (SRC)

To the Board of Directors and Shareholders of
Keppel Philippines Marine, Inc.
Unit 3-B, Country Space 1 Building
133 Sen. Gil Puyat Avenue, Salcedo Village
Barangay Bel-Air, Makati City

We have audited the financial statements of Keppel Philippines Marine, Inc. as at and for the year ended December 31, 2022, on which we have rendered the attached report dated January 27, 2023. The supplementary information shown in the Reconciliation of Retained Earnings Available for Dividend Declaration, as additional component required by 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 audits of the basic financial statements. In our opinion, the supplementary information has been prepared in accordance with SRC Rule 68.

Isla Lipana & Co.

Catherine H. Santos
Partner
CPA Cert. No. 0110097
P.T.R. No. 0011422; issued on January 9, 2023 at Makati City
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valid to audit 2020 to 2024 financial statements
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Makati City
January 27, 2023

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Keppel Philippines Marine, Inc.

Statements of Financial Position
As at December 31, 2022 and 2021
(All amounts in Philippine Peso)

	Notes	2022	2021
A S S E T S			
Current assets			
Cash and cash equivalents	2	518,578,672	161,192,949
Trade and other receivables, net	3	411,145,441	465,073,903
Inventories, net	4	87,038,846	96,966,225
Due from related parties	5	13,736,829	6,129,085
Prepayments and other current assets	6	68,251,165	72,220,054
Total current assets		1,098,750,953	801,582,216
Non-current assets			
Right-of-use assets, net	7	48,044,057	50,331,869
Property and equipment, net	8	1,191,690,941	1,479,195,841
Investments in subsidiaries and an associate	9	3,654,302,836	3,654,302,836
Financial assets at fair value through other comprehensive income, net	10	489,631,473	489,582,700
Retirement benefit asset	11	9,229,127	-
Deferred income tax assets, net	12	23,640,474	40,179,322
Other non-current assets		2,243,128	2,243,127
Total non-current assets		5,418,782,036	5,715,835,695
Total assets		6,517,532,989	6,517,417,911
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	13	300,621,665	234,976,302
Advances from customers		3,818,031	842,640
Due to related parties	5	784,832,563	966,366,995
Lease liabilities, current portion	7	2,613,111	2,447,879
Provisions	15	76,843,598	63,283,315
Bank loans	14	220,000,000	200,000,000
Total current liabilities		1,388,728,968	1,467,917,131
Non-current liabilities			
Retirement benefit obligation	11	-	22,850,052
Lease liabilities, net of current portion	7	116,687,752	119,300,864
Total non-current liabilities		116,687,752	142,150,916
Total liabilities		1,505,416,720	1,610,068,047
Equity			
Share capital		2,007,157,512	2,007,157,512
Reserves		271,357,152	233,392,727
Unappropriated retained earnings		2,762,811,784	2,694,131,245
Treasury shares		(29,210,179)	(27,331,620)
Total equity	16	5,012,116,269	4,907,349,864
Total liabilities and equity		6,517,532,989	6,517,417,911

The notes on pages 1 to 53 are integral part of these financial statements.

Keppel Philippines Marine, Inc.

Statements of Total Comprehensive Income
For the years ended December 31, 2022 and 2021
(All amounts in Philippine Peso)

	Notes	2022	2021
Service revenues	17	1,141,515,779	573,783,684
Cost of services	18	(793,040,172)	(416,329,007)
Gross profit		348,475,607	157,454,677
Operating expenses	19	(134,551,263)	(159,987,758)
Provision for doubtful accounts	3	(76,581,690)	(5,119,972)
Other income, net	20	14,126,449	98,566,245
Income from operations		151,469,103	90,913,192
Finance costs	5, 7, 14	(37,735,070)	(36,059,202)
Income before income tax		113,734,033	54,853,990
Income tax expense	12	(40,062,594)	(45,838,631)
Net income for the year		73,671,439	9,015,359
Other comprehensive income (loss)			
Items that will not be subsequently reclassified to profit or loss			
Changes in the fair value of equity investments at fair value through other comprehensive income, net of tax	10	45,090	20,728,558
Remeasurement gain (loss) on retirement benefit (obligation) asset, net of tax	11	37,919,335	(27,959,489)
Other comprehensive income (loss) for the year		37,964,425	(7,230,931)
Total comprehensive income for the year		111,635,864	1,784,428

The notes on pages 1 to 53 are integral part of these financial statements.

Keppel Philippines Marine, Inc.

Statements of Changes in Equity
For the years ended December 31, 2022 and 2021
(All amounts in Philippine Peso)

	Share capital (Note 16)	Share premium (Note 16)	Reserves: Investment revaluation reserve (Note 10)	Reserves: Remeasurement of retirement asset (obligation) (Note 11)	Reserves: Appropriated retained earnings (Note 16)	Reserves: Total	Unappropriated retained earnings (Note 16)	Treasury shares (Note 16)	Total equity
Balances at January 1, 2021	2,007,157,512	25,341,207	64,736,909	40,545,542	110,000,000	240,623,658	2,690,108,686	(1,332,782)	4,936,557,074
Comprehensive income									
Net income for the year	-	-	-	-	-	-	9,015,359	-	9,015,359
Other comprehensive income (loss) for the year	-	-	20,728,558	(27,959,489)	-	(7,230,931)	-	-	(7,230,931)
Total comprehensive income for the year	-	-	20,728,558	(27,959,489)	-	(7,230,931)	9,015,359	-	1,784,428
Transactions with owners									
Appropriation	-	-	-	-	110,000,000	110,000,000	(110,000,000)	-	-
Reversal of appropriation	-	-	-	-	(110,000,000)	(110,000,000)	110,000,000	-	-
Cash dividends declared	-	-	-	-	-	-	(4,992,800)	-	(4,992,800)
Purchase of treasury shares	-	-	-	-	-	-	-	(25,998,838)	(25,998,838)
Total transactions with owners	-	-	-	-	-	-	(4,992,800)	(25,998,838)	(30,991,638)
Balances at December 31, 2021	2,007,157,512	25,341,207	85,465,467	12,586,053	110,000,000	233,392,727	2,694,131,245	(27,331,620)	4,907,349,864
Comprehensive income									
Net income for the year	-	-	-	-	-	-	73,671,439	-	73,671,439
Other comprehensive income for the year	-	-	45,090	37,919,335	-	37,964,425	-	-	37,964,425
Total comprehensive income for the year	-	-	45,090	37,919,335	-	37,964,425	73,671,439		111,635,864
Transactions with owners									
Appropriation	-	-	-	-	110,000,000	110,000,000	(110,000,000)	-	-
Reversal of appropriation	-	-	-	-	(110,000,000)	(110,000,000)	110,000,000	-	-
Cash dividends declared	-	-	-	-	-	-	(4,990,900)	-	(4,990,900)
Purchase of treasury shares	-	-	-	-	-	-	-	(1,878,559)	(1,878,559)
Total transactions with owners	-	-	-	-	-	-	(4,990,900)	(1,878,559)	(6,869,459)
Balances at December 31, 2022	2,007,157,512	25,341,207	85,510,557	50,505,388	110,000,000	271,357,152	2,762,811,784	(29,210,179)	5,012,116,269

The notes on pages 1 to 53 are integral part of these financial statements.

Keppel Philippines Marine, Inc.

Statements of Cash Flows
For the years ended December 31, 2022 and 2021
(All amounts in Philippine Peso)

	Notes	2022	2021
Cash flows from operating activities			
Income before income tax		113,734,033	54,853,990
Adjustments for:			
Depreciation	7, 8	142,946,519	139,724,373
Provision for (reversal of):			
Doubtful accounts	3	76,581,690	5,119,972
Warranty accruals, net	15	10,907,374	(1,850,468)
Late cost accruals, net of payments	15	8,529,008	(717,622)
Inventory obsolescence and write-down	4	324,594	1,181,873
Losses	15	(4,170,963)	(13,464,515)
Finance costs	5, 7, 14	37,735,070	36,059,202
Retirement benefit expense	11	15,358,559	22,973,211
Gain on disposal of property and equipment	20	(319,966)	(30,579,466)
Interest income	20	(7,357,783)	(4,965,830)
Unrealized foreign exchange gains, net	21	(11,738,371)	(6,674,110)
Dividend income	20	(51,866,234)	(51,170,763)
Operating income before working capital changes		330,663,530	150,489,847
Changes in working capital:			
Trade and other receivables		(3,105)	(11,972,723)
Inventories		202,438,638	17,844,288
Due from related parties		(2,255,542)	(906,792)
Prepayments and other current assets		(11,294,427)	(14,033,229)
Trade and other payables		65,710,128	(70,781,025)
Advances from customers		2,975,391	24,429
Due to related parties		25,123,454	(8,113,748)
Net cash generated from operations		613,358,067	62,551,047
Interest received		6,236,305	4,965,830
Income taxes paid		(5,718,477)	(2,945,282)
Contributions to employee retirement fund	11	(12,064,040)	(15,224,077)
Net cash flows provided by operating activities		601,811,855	49,347,518
Cash flows from investing activities			
Dividends received from investments	5, 9, 10	45,866,234	51,170,763
Proceeds from disposal of property and equipment		320,000	41,399,998
Additions to property and equipment	8	(45,989,694)	(35,221,394)
Net cash flows provided by investing activities		196,540	57,349,367
Cash flows from financing activities			
Proceeds from borrowings - related parties	5	11,118,044,159	2,338,114,268
Payments of borrowings - related parties	5	(11,327,432,660)	(2,264,824,892)
Payments of bank loans	14	(380,000,000)	(560,000,000)
Proceeds from bank loans	14	400,000,000	380,000,000
Purchase of treasury shares	16	(1,878,559)	(1,803,291)
Principal payments on lease liabilities	7	(2,447,880)	(2,145,437)
Dividends paid	16	(4,990,900)	(4,992,800)
Finance costs paid		(40,283,230)	(38,447,608)
Net cash flows used in financing activities		(238,989,070)	(154,099,760)
Net increase (decrease) in cash and cash equivalents		363,019,325	(47,402,875)
Cash and cash equivalents at January 1		161,192,949	208,188,851
Effect of exchange rate changes on cash and cash equivalents		(5,633,602)	406,973
Cash and cash equivalents at December 31	2	518,578,672	161,192,949

The notes on pages 1 to 53 are integral part of these financial statements.

(All amounts in Philippine Peso unless otherwise stated)

Note 1 - General information

Keppel Philippines Marine, Inc. (the "Company"), a company organized and existing under the laws of the Philippines, was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on November 19, 1992. The primary purpose for which the Company is established is to operate as a shipyard, with all the facilities that may be needed and the construction and repair of all types and classes of vessels together with the related services.

The Company is 98.80% owned by KS Investments Pte. Ltd. (KSIPL), a parent company incorporated in Singapore, and 1.20% owned by non-controlling shareholders. The ultimate parent company is Keppel Corporation Ltd. (KCL), a company organized and existing under the laws of Singapore and whose shares are listed in Singapore Exchange Limited. KCL is primarily engaged in the business of offshore and marine, property and infrastructure.

The following are the Company's subsidiaries and associate as at December 31:

	Place of incorporation	Ownership interest 2022	Ownership interest 2021	Date acquired
Keppel Batangas Shipyard, Inc. (KBSI)	Batangas City	100.00%	100.00%	October 11, 2001
Keppel Subic Shipyard, Inc. (KSSI)	Subic, Zambales	79.16%	79.16%	September 29, 2010
Consort Land, Inc. (CLI)	Subic, Zambales	20.72%	20.72%	December 31, 1995

Relevant financial and other information about the Company's subsidiaries and associate are disclosed in Note 9.

On January 27, 2020, during the Special Stockholders' Meeting, the stockholders ratified the approval of the Company's capital restructuring through a reverse stock split whereby the par value per share is increased from P1 to P20,000 and correspondingly, the total number of shares is decreased from 2,007,1517,512 to 99,879. In May 2020, the Company submitted the pertinent requirements and documents in relation to the application of the capital restructuring and changes in the Articles of Incorporation to the SEC. On March 22, 2021, the SEC approved the Company's capital restructuring wherein the authorized share capital of 2,180,000,000 shares with par value of P1 per share was divided into 109,000 shares with a par value of P20,000 per share. The total number of issued shares also decreased from 2,007,157,512 shares to 100,353 shares. This reduced the number of shareholders to 301, of which two (2) shareholders hold at least 100 shares of the Company's issued shares.

As at December 31, 2021, the Company is still considered a public company under SRC Rule 68, which among others, is any corporation with assets of at least P50 million and has two hundred (200) or more shareholders, each of which holds at least one hundred (100) shares of a class of its equity securities as at January 1, 2021. Consequently, the Company ceased to become a public corporation based on SRC Rule 68 beginning January 1, 2022. These financial statements do not contain disclosure requirements applicable to public companies.

The Company's registered address and principal place of business is located at Unit 3-B, Country Space 1 Building, 133 Sen. Gil Puyat Avenue, Salcedo Village, Barangay Bel-Air, Makati City, Philippines.

The financial statements have been approved and authorized for issuance by the Company's Board of Directors (BOD) on January 27, 2023.

Coronavirus Disease 2019 ("COVID-19")

The COVID-19 pandemic has developed rapidly in 2020, with significant number of cases in the country. The Company has implemented series of measures to monitor and mitigate the effects of COVID-19, such as safety and health measures for the employees (such as social distancing and working from home arrangements) and securing the safety of its workforce, and related business activities. As a result of the nationwide vaccination program implemented, the number of COVID-19 cases started to decline to date, resulting to gradual lifting of mobility. Consequently, the Company's operations started to recover from the pandemic hit. In 2022, the operations remain to be stable.

The Company's financial statements as at and for the years ended December 31, 2022 and 2021 have been prepared applying the going concern principle. The management of the Company is not aware of any significant uncertainties arising after December 31, 2022 that would have any impact the impairment assessments and the ability to continue as going concern.

Ukraine-Russia War

The Russian military invasion of Ukraine (the "Russian-Ukraine conflict") has a wide economic impact on entities in the immediate region, but also impact entities globally where businesses engage in economic activities that might be affected by the conflict. The entities in the intermediate region could be impacted through imposed economic sanctions, disruptions to the supply chain, equity and commodity market volatility and other uncertainties.

Based on the management's assessment, the Russian-Ukraine conflict had no significant impact in the Company's financial statements as at and for the years ended December 31, 2022 and 2021.

Note 2 - Cash and cash equivalents

Cash and cash equivalents as at December 31 consist of:

	2022	2021
Cash in banks	98,838,266	151,006,777
Cash equivalents	419,740,406	10,186,172
	518,578,672	161,192,949

Cash in banks earned average interest rates at respective bank deposit rates ranging from 0.05% to 0.06% in 2022 and 2021. Cash equivalents represent money market placements, with annual interest rates ranging from 3.71% to 4.22% (2021 - 0.002% to 0.008%). Total interest income earned from cash in banks and cash equivalents for the year ended December 31, 2022 amounted to P3,203,094 (2021 - P167,347) (Note 20).

Note 3 - Trade and other receivables, net

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

	2022	2021
Trade receivables	603,666,710	577,410,328
Discount on trade receivables	-	(3,912,879)
	603,666,710	573,497,449
Allowance for doubtful accounts	(225,240,650)	(146,327,280)
	378,426,060	427,170,169
Other receivables		
Advances to suppliers	26,731,491	32,918,349
Advances and loans to employees	5,155,074	5,070,917
Deposits	1,258,515	1,258,515
Interest receivable	1,121,478	-
Receivable from government agencies and others	171,433	374,563
	34,437,991	39,622,344
Allowance for doubtful accounts	(1,718,610)	(1,718,610)
	32,719,381	37,903,734
	411,145,441	465,073,903

Trade receivables are amount due from customers for services performed in the ordinary course of business with an average credit term of between 30 to 180 days, collectible on an installment basis.

In March 2017, the Company recognized the sale of one tugboat as part of the build-to-sale program for P227,005,551 with payment terms of five (5) years, interest-free, to a foreign customer. The fair value of receivables is determined using the discount rate of 3.90%. For the year ended December 31, 2022, total interest earned from this trade receivable amounted to P3,912,879 (2021 - P4,561,344) and P1,121,478 remained unpaid (Note 20).

Advances to supplier include payments relating to services, materials and supplies used in operation. These are recognized and carried at cost. These are derecognized upon application against actual contract price from execution of services or delivery of goods.

Advances and loans to employees and officers are expected to be collected through salary deductions. For the year ended December 31, 2022, total interest income earned from loans to employees amounted to P241,810 (2021 - P237,139) (Note 20).

Deposits include payments for leased properties and equipment, which may be applied to unpaid rent at the end of the short-term lease.

Movements in the allowance for doubtful accounts related to trade and other receivables for the years ended December 31 are as follows:

	2022			2021		
	Trade	Others	Total	Trade	Others	Total
January 1	146,327,280	1,718,610	148,045,890	138,554,727	1,718,610	140,273,337
Provision	76,581,690	-	76,581,690	5,119,972	-	5,119,972
Revaluation	2,331,680	-	2,331,680	2,652,581	-	2,652,581
December 31	225,240,650	1,718,610	226,959,260	146,327,280	1,718,610	148,045,890

There were no trade and other receivables pledged as collaterals as at December 31, 2022 and 2021.

Note 4 - Inventories, net

Inventories, net as at December 31 consist of:

	2022	2021
Material and supplies	90,608,083	101,169,567
Allowance for inventory obsolescence and write-down	(3,982,478)	(4,384,844)
	86,625,605	96,784,723
Work in progress	413,241	181,502
	87,038,846	96,966,225

Materials and supplies recognized as costs of services for the year ended December 31, 2022 amounted to P140,585,764 (2021 - P21,349,812) (Note 18).

Work in progress mainly relates to the cost of ongoing ship repair projects as at December 31, 2022 and 2021.

Movements in the allowance for inventory obsolescence and write-down for the years ended December 31 are as follows:

	Note	2022	2021
January 1		4,384,844	3,861,861
Provision for inventory obsolescence	18	324,594	1,181,873
Write-off		(726,960)	(658,890)
December 31		3,982,478	4,384,844

Note 5 - Related party transactions

In the normal course of business, the Company transacts with companies which are considered related parties under PAS 24, "*Related Party Disclosures*".

The transactions (availments and additions) and outstanding balances with related parties as at and for the years ended December 31 are as follows:

		2022		2021	
	Notes	Transactions	Receivables (Payables)	Transactions	Receivables (Payables)
Due from related parties					
Ultimate parent company					
Reimbursable expenses (b)		-	-	455,283	445,203
Entities under common shareholdings					
Reimbursable expenses (b)		315,241	4,200,853	8,302,558	3,848,160
Lease income		-	-	86,940	-
Dividend income	10	9,679,808	-	14,557,857	-
Subsidiaries					
Consultancy services (c)		4,771,765	1,120,000	5,364,706	1,780,000
Reimbursable expenses (b)		15,851,602	2,414,576	1,864,259	54,672
Dividend income	9	36,367,551	6,000,000	30,367,551	-
Associate					
Reimbursable expenses (b)		2,100	1,400	2,450	1,050
Dividend income	9	5,800,113	-	6,235,121	-
			13,736,829		6,129,085

	Notes	2022 Transactions	2022 Receivables (Payables)	2021 Transactions	2021 Receivables (Payables)
Due to related parties					
Ultimate parent company					
Dividends paid	16	4,191,265	-	4,331,496	-
Reimbursable expenses (b)		2,245,273	-	2,162,422	(2,162,422)
Entities under common shareholdings					
Borrowings (a) (i - vi)		11,104,044,159	(651,757,003)	2,338,114,268	(878,015,225)
Finance costs (a) (i - vi)		24,249,428	-	17,143,524	-
Reimbursable expenses (b)		42,230,635	(119,075,560)	19,688,870	(84,900,088)
Consultancy services (c)		5,379,530	-	320,273	-
Short term lease	7	-	-	7,236,940	(743,076)
Subsidiaries and associates					
Borrowing (a) (vii)		14,000,000	(14,000,000)	-	-
Finance costs (a) (vii)		91,681	-	-	-
Short term lease	7	6,899,172	-	6,899,172	(546,184)
			(784,832,563)		(966,366,995)
Entities under common shareholdings					
Leases - Company as a lessee (long-term lease)	7	2,447,879	(119,300,864)	2,145,438	(121,748,743)
Deposits in money market placements	2	15,595,355	25,781,526	1,932,405	10,186,172
Interest income in money market placements	2	527,452	-	6,568	-
Retirement plan					
Contributions	11	12,064,040	-	15,224,077	-
Key management personnel					
Salaries and other short-term employee benefits		14,359,501	-	15,387,779	-
Retirement benefits		319,200	-	414,960	-

The Company has not made any provision for doubtful accounts relating to amounts owed by related parties in 2022 and 2021. This assessment is undertaken each financial year through examination of the financial position of each related party and the market in which the related party operates.

(a) Borrowings from related parties

The Company has availed from its related parties the following borrowings:

(i) In 2021, the Company availed additional U.S. Dollar and Singapore Dollar short-term loans from Kephinance Investment Pte. Ltd. (KIPL) aggregating to US$14,040,000 (P695,011,232) and SG$44,724,246 (P1,643,103,036) which bear an average annual interest rates ranging from 1.0% to 2.4% with terms of within one year. Payments amounting to P2,254,824,892 were made during 2021.

In 2022, the Company availed additional U.S. Dollar and Singapore Dollar short-term loans from KIPL aggregating to US$62,733,843 (P3,485,063,715) and SG$189,830,595 (P7,612,980,444) which bear an average annual interest rates ranging from 1.23% to 4.89% with terms of within one year. Payments amounting to P11,037,432,660 were made during 2022.

As at December 31, 2022, outstanding short-term loans from KIPL amounted to US$3,510,289 and SG$10,846,835 (P645,757,003) which is payable in January 27, 2023 (2021 - P 588,015,226).

(ii) In September 2018, the Company borrowed a short-term loan from Goodsoil Marine Realty, Inc. (GMRI) amounting to P62,000,000 with term of 90 days and interest rate per annum of 4.3%. Every maturity, the short-term loan was extended to an 89 to 90-day term loan with interest rates ranging from 4.8% to 6.9%. In 2021, the Company made a partial payment amounting to P10,000,000 (2020 - P12,000,000). As at December 31, 2022, the outstanding short-term advances from GMRI amounted to P40,000,000 payable on February 11, 2022 with interest rate of 3.4%. On November 8, 2022, the Company fully paid the outstanding loan of P40,000,000 at 4.438% interest rate.

(iii) On October 17, 2016, KPSI Property, Inc. granted advances amounting to P15,000,000 with 90-day term and interest rate of 3.2% to the Company with option to renew upon maturity. Every maturity, the short-term advances was extended to an 88 to 90-day term with interest rates ranging from 3.2% to 6.3%. In December 2018, partial payment of the principal amount of P5,000,000 was made and renewed the remaining principal of P10,000,000 for 88 days with interest rate of 6.3%. The loan was rolled over and remained outstanding as at December 31, 2021 with average interest rate of 3.373%. On November 7, 2022, the Company fully paid the outstanding loan of P10,000,000 at 4.478% interest rate.

(iv) The Company started to obtain short-term advances from Keppel Philippines Holdings, Inc. (KPHI) in June 2015. In 2017, the Company has an outstanding loan balance of P127,000,000. The advances have 88 to 90-day term with option to renew upon maturity and interest rate of 3.0%. In 2018, upon maturity, the advances were extended for another 88 to 90-day term with interest ranging from 3.0% to 6.2%.

In 2018, additional advances were obtained totaling to P73,000,000 with a 90-day term and interest rate ranging from 3.2% to 5.9%. Every maturity, these advances were rolled over with average interest rate ranging from 4.8% to 7.0%.

In March 2020, the Company made a partial payment amounting to P10,000,000.

As at December 31, 2021, the outstanding advances from KPHI amounted to P190,000,000 with an average interest of 3.4%. In October and November 2022, the Company fully paid the outstanding loan of P190,000,000. Interest during 2022 ranged from 3.4% to 4.5%.

(v) In July 2019, the Company obtained short-term advances from Kepwealth Inc. amounting to P50,000,000 with a 90-day term at 5.6% interest rate. It was renewed in October 2019 with 89-day term at 4.2%. In 2021, it was renewed with a 90-day term at 2.0% and remained outstanding as at December 31, 2021. On November 30, 2022, the Company fully paid the outstanding loan amounting to P50,000,000 with 75-day term at 4.0%.

(vi) In November 2022, the Company obtained short-term advances from the Consort Capital, Inc. (CCI) amounting to P6,000,000, 90-day term with average interest rate of 5.13% per annum maturing on February 13, 2023 for additional working capital requirements.

(vii) In November 2022, the Company obtained short-term advances from the Keppel Batangas Shipyard, Inc. (KBSI) amounting to P14,000,000 with average interest rate of 5.13% per annum maturing on February 13, 2023 for additional working capital requirements.

The movements of the aforementioned borrowings from related parties for the years ended December 31 are as follows:

	2022	2021
January 1	878,015,225	812,111,431
Availments	11,118,044,159	2,338,114,268
Payments	(11,327,432,660)	(2,264,824,892)
Unrealized foreign exchange gain	(2,869,721)	(7,385,582)
December 31	665,757,003	878,015,225

These borrowings are unsecured and with no guarantee.

Total finance cost charged to profit or loss pertaining to borrowings from related parties for the year ended December 31, 2022 amounted to P24,341,109 (2021 - P17,143,524). The remaining unpaid interest was recoded as part of accrued interest under trade and other payables (Note 13).

(b) Reimbursable expenses

Reimbursable expenses represent certain costs and claims such as travel, representation, entertainment and other corporate expenses that were initially paid for either by the Company or other related parties. The balance is due and demandable, not subject to interest, unsecured and with no guarantee.

(c) Consultancy agreements

The Company entered into a management consultancy agreement with Keppel Shipyard Ltd. (KSL) for a period of five (5) years starting November 2010 to provide consultancy services in operating the shipyard. In November 2015 and November 2020, the agreement was renewed for another term of five (5) years whereby the Company will reimburse KSL for all expenses incurred and additional annual fee equal to 8% of net income before tax, consultancy fee and dividends. During 2022, the Company incurred consultancy fees related to the agreement amounting to P5,379,930 (2021 - P320,273).

The Company has also entered into a management consultancy agreement with its subsidiaries, KSSI and KBSI, for a period of five (5) years starting July 1, 2012 and 2013, respectively. Under the agreement, the Company will provide consultancy and advisory services in matters relating to administrative and financing activities of KSSI and KBSI. The Company will receive monthly fee of P450,000 and P100,000 from KSSI and KBSI, respectively, net of all applicable taxes and subject to adjustment on an annual basis upon agreement by both parties. Effective April 1, 2016 and March 1, 2017, the monthly fee for the consultancy agreement with KSSI was amended to P350,000 and P280,000, respectively, net of all applicable taxes. In July 2017, the agreement with KSSI was renewed for one (1) year from July 1, 2017 to June 30, 2018. In July 2018, both consultancy agreements were renewed for another five (5) years without any change in the previous terms and conditions.

Outstanding balances arising from consulting services are due and demandable, and collectible in cash. These are unsecured, non-interest bearing and with no guarantee. During 2022, the Company earned consultancy fees related to the agreement amounting to P3,360,000 and P1,411,765 for KSSI and KBSI, respectively.

(d) Key management personnel

There were no advances, share-based payments, termination benefits nor other long-term benefits to key management personnel in 2022 and 2021.

Note 6 - Prepayments and other current assets

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

	2022	2021
Prepaid income taxes	64,033,664	67,999,741
Prepaid insurance	3,622,276	4,103,121
Others	595,225	117,192
	68,251,165	72,220,054

Note 7 - Leases

The Company leases various parcels of land, machineries and equipment. The Company recognized a right-of-use asset and corresponding liability for the parcel of land leased from GMRI. The rest of its leases were accounted as short-term leases.

(a) Long term lease

Lease agreement - GMRI

In August 1993, the Company entered into a lease contract with GMRI wherein the Company will lease the GMRI's parcel of land situated in Barrio San Miguel, Bauan, Batangas. The lease shall be for a period of 50 years and renewable at the option of the Company for another 25 years. The rental shall be P6,000,000 for the first year, payable quarterly in advance and will remain at six million pesos P6,000,000 per year for the first 5 years of agreement.

On May 2, 2007, the lease contract entered into by the Company and GMRI was amended, resulting in an increase in annual rental rate to P10,200,000 effective January 1, 2007, subject to 1.5% escalation after every five (5) years. For the period from January 2022 to December 2026, the rental fee per annum amounted to P10,665,920 (2021 - P10,508,294).

The lease agreements do not impose any covenants other than security deposits that are held by GMRI. Leased assets may not be used as security for borrowing purposes.

Details of right-of-use assets as at December 31 and the movements in the account for the years then ended are as follows:

	2022	2021
Cost		
January 1; December 31	57,195,305	57,195,305
Accumulated depreciation		
January 1	(6,863,436)	(4,575,624)
Depreciation	(2,287,812)	(2,287,812)
December 31	(9,151,248)	(6,863,436)
	48,044,057	50,331,869

Amounts recognized in the statements of total comprehensive income for the years ended December 31 related to the lease agreement above follow:

	2022	2021
Depreciation expense	2,287,812	2,287,812
Interest expense	8,218,040	8,362,857
	10,505,852	10,650,669

Depreciation expenses for the years ended December 31 were charged as follows:

	Notes	2022	2021
Cost of services	18	2,173,421	2,173,421
Operating expenses	19	114,391	114,391
		2,287,812	2,287,812

Lease liabilities as at December 31 are as follows:

	2022	2021
Current	2,613,111	2,447,879
Non-current	116,687,752	119,300,864
	119,300,863	121,748,743

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

	2022	2021
January 1	121,748,743	123,894,180
Principal payments	(2,447,880)	(2,145,437)
Interest payments	(8,218,040)	(8,362,857)
Interest expense	8,218,040	8,362,857
December 31	119,300,863	121,748,743

As a result of the Coronavirus Disease 2019 ("COVID-19") pandemic, a lease concession was granted to the Company reducing its periodic lease payments by 25%, from the period of March 16, 2020 to December 31, 2021. The total discount during 2021 amounting to P2,627,074 was offset against the rental expense of the Company. There is no lease concession granted in 2022.

The lease payments are discounted using the Company's incremental borrowing rate of 6.75%, being the rate that the 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.

(b) Short term lease

(i) The Company leases from KBSI machineries and equipment for its ship repair and shipbuilding activities. The term of the non-cancellable lease is one (1) year and is renewable at the option of both parties. In January 2022 and 2021, the Company renewed the lease for another year.

(ii) The Company also has a non-cancellable lease agreement with GMRI for 1/3 portion of a lot located at Barrio San Miguel, Bauan, Batangas. The term of the lease is for a period of one (1) year subject to yearly renewal as mutually agreed by both parties.

(iii) The Company has non-cancellable lease agreement with KPSI Property, Inc. for office and parking lots located at Country Space 1 Building, Sen. Gil Puyat Ave., Makati City. The term of the lease is for a period of one (1) year, renewable upon the expiration of the said period and every succeeding period, as mutually agreed by both parties.

(iv) The Company also has a non-cancellable lease agreement with Goodwealth Realty Development Corp. (GRDC) for parcels of land located at Governor Drive, Buenafe County Villas, Barangay Balagtas, Batangas City. The term of the lease is for a period of one (1) year subject to yearly renewal as mutually agreed by both parties.

(v) From time to time, the Company leases machineries and equipment with third parties with terms ranging from one (1) to six (6) months.

Rental expense charged to cost of services and operating expenses for these leases for the year ended December 31, 2022 amounted to P7,395,684 and P6,391,521 (2021 - P6,836,938 and P32,666,556), respectively (Notes 18 and 19).

Minimum lease payments related to short term leases as at December 31 amounted to:

	2022	2021
KBSI	7,395,684	6,836,938
GMRI	440,564	330,423
KPSI Property, Inc.	436,680	436,680
GRDC	250,543	250,543
KPHI	-	311,270
Others	-	574,000
	8,523,471	8,739,854

Note 8 - Property and equipment, net

Details of property and equipment, net as at December 31 and the movements in the account as at and for the years then ended are as follows:

	Ship repair and construction machinery	Buildings and improvements	Drydock	Office furniture and other equipment	Transportation equipment	Construction-in-progress	Total
Cost							
January 1, 2021	1,949,361,792	1,056,066,595	729,053,037	125,757,031	13,655,984	195,533,473	4,069,427,912
Additions	-	-	-	-	-	35,221,394	35,221,394
Disposals	(49,879,061)	(118,037,013)	-	(755,281)	(1,711,029)	-	(170,382,384)
Transfer	18,845,467	4,344,909	5,578,716	1,286,544	1,610,294	(31,665,930)	-
December 31, 2021	1,918,328,198	942,374,491	734,631,753	126,288,294	13,555,249	199,088,937	3,934,266,922
Additions	-	-	-	-	-	45,989,694	45,989,694
Disposals	(2,852,667)	-	-	(829,563)	(1,314,091)	-	(4,996,321)
Transfer	11,406,910	961,426	3,305,994	17,547,327	-	(33,221,657)	-
Reclassification	-	-	-	-	-	(192,835,853)	(192,835,853)
December 31, 2022	1,926,882,441	943,335,917	737,937,747	143,006,058	12,241,158	19,021,121	3,782,424,442
Accumulated depreciation							
January 1, 2021	1,347,300,781	624,124,205	412,538,918	81,772,031	11,460,437	-	2,477,196,372
Depreciation	73,233,796	40,542,658	13,548,925	9,122,764	988,418	-	137,436,561
Disposal	(49,560,715)	(107,534,836)	-	(755,276)	(1,711,025)	-	(159,561,852)
December 31, 2021	1,370,973,862	557,132,027	426,087,843	90,139,519	10,737,830	-	2,455,071,081
Depreciation	74,686,911	40,222,339	13,870,420	10,886,755	992,282	-	140,658,707
Disposal	(2,852,651)	-	-	(829,546)	(1,314,090)	-	(4,996,287)
December 31, 2022	1,442,808,122	597,354,366	439,958,263	100,196,728	10,416,022	-	2,590,733,501
Net book values							
December 31, 2022	484,074,319	345,981,551	297,979,484	42,809,330	1,825,136	19,021,121	1,191,690,941
December 31, 2021	547,354,336	385,242,464	308,543,910	36,148,775	2,817,419	199,088,937	1,479,195,841

Depreciation expenses for the years ended December 31 were charged as follows:

	Notes	2022	2021
Cost of services	18	133,625,772	130,564,733
Operating expenses	19	7,032,935	6,871,828
		140,658,707	137,436,561

As at December 31, 2022, the Company has fully depreciated property and equipment still in use with acquisition cost of P1,086,985,738 (2021 - P1,048,752,927).

There were no property and equipment pledged as collaterals as at December 31, 2022 and 2021.

As at December 31, 2021, the amount presented under construction-in-progress includes cost of tugboat amounting to P192,835,853 in which management's intent to use it for the Company's operations. However, in September 2022, the tugboat was reclassed to work-in-progress for commissioning and completion and was sold to a foreign customer in October 2022 amounting to US$3,900,000 (P229,007,093) (Note 17).

Based on the results of management assessment, the Company believes that there were no indicators of impairment as at December 31, 2022 and 2021.

Note 9 - Investments in subsidiaries and an associate, net

Investments in subsidiaries and an associate, net as at December 31, 2022 and 2021 are as follows:

	2022	2021
Investment in subsidiaries		
KSSI	3,637,060,798	3,637,060,798
KBSI	11,000,000	11,000,000
	3,648,060,798	3,648,060,798
Investment in an associate		
CLI	6,242,038	6,242,038
	3,654,302,836	3,654,302,836

(a) Subsidiaries

(i) KSSI

KSSI's primary activities are to build, construct, fabricate, repair, own, manage, operate, maintain, buy, sell or otherwise deal with ships, vessels, boats and marine structure of every kind and nature. As at December 31, 2022 and 2021, the Company determined that there is no indication that an impairment loss has occurred on its investment in KSSI in consideration of the fair value of the net assets of the subsidiary based on latest appraisal report as of December 28, 2022 amounting to P3,864,883,533 and as evidenced by periodic dividend declaration payment by KSSI.

(ii) KBSI

KBSI's registered activities are shipbuilding, ship repair, commercial leasing and port operations. KBSI is currently engaged in commercial leasing operations. As at December 31, 2022 and 2021, the Company determined that there is no indication that an impairment loss has occurred on its investment in KBSI in consideration of the fair value of the net assets of the subsidiary as evidenced by its periodic dividend declaration and payment.

(b) Associate

CLI

CLI's primary activities are real estate business, power generation and distribution of electricity to locators and investors within the Subic Shipyard - Special Export Processing Zone. The Company has a Share Purchase Agreement with GMRI for the transfer of 2,950,000 shares of CLI dated September 6, 2012. On March 1, 2021, BIR has issued the tax clearance transferring the ownership of CLI shares to GMRI. As at December 31, 2022, KPMI and GMRI ownership interest with CLI is 20.72% and 24.95% in CLI, respectively. The Company determined that there is no indication that an impairment loss has occurred on its investment in CLI in consideration of the fair value of the net assets of the subsidiary as evidenced by its periodic dividend declaration and payment.

The cost and net book value of the investments in subsidiaries and an associate for the years ended December 31, 2022 and 2021 are as follows:

	KSSI	KBSI	CLI	Total
Cost and net book value - January 1 and December 31	3,637,060,798	11,000,000	6,242,038	3,654,302,836

Summarized financial information of subsidiaries and associate as at and for the years ended December 31 are as follows:

	KSSI	KBSI	CLI
2022			
Current assets	688,293,360	21,728,311	71,593,544
Non-current assets	3,422,231,202	65,625	263,531,905
Total assets	4,110,524,562	21,793,936	335,125,449
Current liabilities	1,275,129,458	7,304,963	22,285,471
Non-current liabilities	-	-	2,107,406
Total liabilities	1,275,129,458	7,304,963	24,392,877
Net assets	2,835,395,104	14,488,973	310,732,572
Revenue	1,459,241,418	7,106,426	172,205,011
Net (loss) income for the year	(65,854,410)	2,957,581	40,023,055
Other comprehensive loss for the year	(2,706,691)	-	-
Total comprehensive (loss) income for the year	(68,561,101)	2,957,581	40,023,055
2021			
Current assets	1,063,784,483	17,061,859	57,498,158
Non-current assets	3,449,029,022	1,912,547	266,066,155
Total assets	4,512,813,505	18,974,406	323,564,313
Current liabilities	1,553,360,612	1,443,014	22,708,231
Non-current liabilities	17,135,985	-	2,146,565
Total liabilities	1,570,496,597	1,443,014	24,854,796
Net assets	2,942,316,908	17,531,392	298,709,517
Revenue	674,541,492	6,933,849	141,519,621
Net (loss) income for the year	(26,690,053)	2,682,394	26,692,176
Other comprehensive income for the year	15,291,403	-	-
Total comprehensive (loss) income for the year	(11,398,650)	2,682,394	26,692,176

Dividend income received from investments in subsidiaries and an associate for the years ended December 31 are as follows:

	Notes	2022	2021
KSSI	5	30,367,551	30,367,551
KBSI	5	6,000,000	-
CLI	5	5,800,113	6,235,121
	20	42,167,664	36,602,672

Note 10 - Financial assets at fair value through other comprehensive income, net

Financial assets at fair value through other comprehensive income (FVOCI), net as at December 31 are presented below.

	2022	2021
Non-listed		
GMRI	298,771,522	286,040,236
CCI	187,599,342	200,322,351
GRDC	2,471,809	2,465,353
Mt. Malarayat Golf and Country Club	200,000	200,000
	489,042,673	489,027,940
Listed		
BDO Unibank, Inc.	588,800	554,760
	489,631,473	489,582,700

Investments in equity shares are measured at fair value with adjustments recorded in other comprehensive income. The fair values of the listed securities are based on the quoted market prices while the fair values of non-listed securities are based the net asset value and/or discounted value of future cash flows using applicable rates for similar instruments.

(a) Investment in CCI

Investment in CCI represents 4,799,998 preference shares at P60 per share which are non-voting and participating.

(b) Investment in GMRI

Investment in GMRI represents 89,600 preference shares at P1,000 per share which are non-voting and redeemable.

(c) Investment in GRDC

Investment in GRDC represents 10,000 common shares at P10 per share which are non-voting and redeemable.

(d) Investment in listed equity securities and proprietary club shares

The listed equity securities, consisting of investments in a publicly-listed company, and proprietary club shares present the Company with opportunities for return through dividend income and trading gains. They have no fixed maturity or coupon rate and the movement is based on closing market prices obtained in an active market.

The movements in the financial assets at FVOCI, net for the years ended December 31 are as follows:

	2022	2021
Cost	380,321,817	380,321,817
Fair value adjustment	112,461,374	112,412,601
	492,783,191	492,734,418
Allowance for impairment on listed securities	(3,151,718)	(3,151,718)
	489,631,473	489,582,700

The movements in the cumulative changes in fair value of financial assets at FVOCI for the years ended December 31 are as follows:

	Note	2022	2021
January 1		85,465,467	64,736,909
Gain on fair value adjustment, net of tax		45,090	20,728,558
December 31	16	85,510,557	85,465,467

Deferred income tax effect includes remeasurement of deferred income tax liabilities recognized related to the fair value adjustments due to the change in tax law in 2021 amounting to P5,780,082 (Note 12).

As at December 31, 2022 and 2021, the Company determined that there is no indication that an impairment loss has occurred on its non-listed financial assets at FVOCI. There were no movements in the allowance for impairment on financial assets at FVOCI and listed securities for the years ended December 31, 2022 and 2021. As at December 31, 2022 and 2021, allowance for impairment amounting to P3,151,718 is attributable to investment in GRDC, GMRI and CCI.

There were no additions and disposals of financial assets at FVOCI in 2022 and 2021.

Dividends received from these investments for the years ended December 31 are as follows:

	Notes	2022	2021
GMRI	5	9,654,808	9,654,808
GRDC	5	25,000	25,000
BDO Unibank, Inc.		18,762	10,234
CCI	5	-	4,878,049
	20	9,698,570	14,568,091

Note 11 - Retirement benefits

Details of the Company's retirement benefits as at and for the years ended December 31 are as follows:

	2022	2021
Retirement benefit asset (obligation)	9,229,127	(22,850,052)
Retirement benefit expense	15,358,559	22,973,211
Remeasurement gain (loss) on retirement benefit asset (obligation), net of tax	37,919,335	(27,959,489)

The Company maintains a funded, noncontributory defined benefit plan for qualifying employees. Under the plan, the employees are entitled to retirement benefits based on the latest monthly basic salary for every year of credited service.

Keppel Philippines Marine, Inc. Retirement Plan (the "Trustee"), a non-stock corporation, was exclusively formed for the purpose of receiving contributions of the Company for the retirement fund of its employees, managing the fund and making payments and distributions to the beneficiaries of the fund in accordance with the retirement plan of the Company. The terms of the management of the fund between the trustee and the Company are embodied in a trust agreement.

Contributions and costs are determined in accordance with the actuarial valuation made for the plan. The present value of the defined benefit obligation and the related current service cost and past service costs are measured using the Projected Unit Credit Method. The Company's latest actuarial valuation is for the reporting period December 31, 2022.

The plan typically exposes the Company to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk.

(a) Investment risk

The present value of the defined benefit obligation is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on plan asset is below this rate, it will create a plan deficit. Currently the plan's investments are in the form of government bonds and cash deposits to universal banks. Due to the long-term nature of the plan liabilities, the board of the pension fund considers it appropriate that a reasonable portion of the plan assets is invested in government bonds.

(b) Interest rate risk

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 term to maturity approximating the terms of the related retirement liability. A decrease in government bond yields will increase the defined benefit obligation. Hence, the present value of defined benefit obligation is directly affected by the discount rate to be applied by the Company. However, the Company believes that due to the long-term nature of the defined benefit obligation, the investment holdings of the plan is an appropriate element of the Company's long-term strategy to manage the plan efficiently.

(c) Longevity risk

The present value of the defined benefit obligation is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the retirement benefit obligation.

(d) Salary risk

The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the retirement benefit obligation.

The actuarial present value of the defined benefit obligation under the plan is measured in terms of actuarial assumptions for discount rate, salary increases, return on plan assets, disability rates using the 1952 Disability Table, and mortality using the 1994 Group Annuity Mortality Table. The discount rates as at December 31, 2022 and 2021 were based on approximated zero-coupon yield of government bonds with remaining period to maturity approximating the estimated average duration of benefit payment.

The principal assumptions used for the purposes of the actuarial valuations for the years ended December 31 are as follows:

	2022	2021
Discount rate	7.07%	4.85%
Average years of service	12.31	11.90
Expected rate of salary increase	7%	6.00%

The retirement benefit asset (obligation) recognized in the statements of financial position as at December 31 are as follows:

	2022	2021
Fair value of plan assets	178,085,690	149,187,602
Present value of defined benefit obligation	(168,856,563)	(172,037,654)
	9,229,127	(22,850,052)

Movements in the present value of the defined benefit obligation for the years ended December 31 are as follows:

	2022	2021
January 1	172,037,654	201,496,817
Current service cost	10,589,960	13,544,403
Interest cost	8,343,826	7,132,987
Past service cost	3,660,372	10,024,757
Benefits paid	(11,001,361)	(13,315,292)
Remeasurement gain	(14,773,888)	(46,846,018)
December 31	168,856,563	172,037,654

Movements in the fair value of the plan assets for the years ended December 31 are as follows:

	2022	2021
January 1	149,187,602	218,331,535
Interest income	7,235,599	7,728,936
Contributions	12,064,040	15,224,077
Benefits paid	(11,001,361)	(13,315,292)
Remeasurement gain (loss)	20,599,810	(78,781,654)
December 31	178,085,690	149,187,602

The Company does not expect to contribute to the plan for the year ending December 31, 2023.

The amounts of retirement benefit expense recognized in the statements of total comprehensive income included under cost of services and operating expenses for the years ended December 31 are as follows:

	Notes	2022	2021
Current service cost		10,589,960	13,544,403
Past service cost		3,660,372	10,024,757
Net interest income (expense)		1,108,227	(595,949)
	18,19	15,358,559	22,973,211

Movements in other comprehensive income for the years ended December 31 are as follows:

	Notes	2022	2021
January 1, net of tax		12,586,053	40,545,542
Remeasurement gain (loss)		35,373,698	(31,935,636)
Tax effect	12	2,545,637	3,976,147
		37,919,335	(27,959,489)
December 31, net of tax	16	50,505,388	12,586,053

Plan assets as at December 31 consist of:

	2022	2021
Investment in non-listed companies	147,585,408	116,030,099
Investment in government securities	29,485,600	32,403,012
Cash and cash equivalents	4,425	8,777
Other assets	1,010,257	745,714
	178,085,690	149,187,602

Movements in retirement benefit asset (obligation) recognized in the statements of financial position for the years ended December 31 are as follows:

	Notes	2022	2021
January 1		(22,850,052)	16,834,718
Retirement benefit expense	18,19	(15,358,559)	(22,973,211)
Contributions paid		12,064,040	15,224,077
Remeasurement gain (loss)		35,373,698	(31,935,636)
December 31		9,229,127	(22,850,052)

The following are the details of sensitivity of the present value of defined benefit obligation to changes in the weighted principal assumptions:

	Change in Assumption	Increase (decrease) on defined benefit obligation 2022	2021
Increase in the discount rate	1%	(12,621,224)	(13,487,284)
Decrease in the discount rate	1%	14,385,225	15,413,784
Increase in the salary increase rate	1%	14,191,944	15,087,677
Decrease in the salary increase rate	1%	(12,810,813)	(13,468,025)
Increase in the employee turnover	10%	(987,828)	(1,026,900)
Decrease in the employee turnover	10%	987,828	1,026,900

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 retirement 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 asset (obligation) recognized within the statements of financial position.

Expected maturity analysis of undiscounted retirement benefits as at December 31 are as follows:

	2022	2021
Less than a year	16,193,303	17,176,525
Between 1 to 2 years	14,564,866	12,418,651
Between 3 to 5 years	68,549,248	48,539,663
Between 6 to 10 years	122,063,605	84,410,436
Beyond 10 years	470,599,211	260,026,598
	691,970,233	422,571,873

Note 12 - Income taxes

The Company's deferred income tax assets, net as at December 31 consist of the tax effects of the following temporary differences:

	5% - GIT	25%	Total
2022			
Deferred income tax assets (liabilities)			
Allowance for doubtful accounts	-	55,493,751	55,493,751
Leases	3,384,698	801,617	4,186,315
Accrued liabilities	2,447,194	-	2,447,194
Provision for warranty	848,294	-	848,294
Allowance for inventory obsolescence	199,124	-	199,124
Capitalized interest	(710,512)	-	(710,512)
Retirement benefit obligation	(1,126,395)	(1,068,239)	(2,194,634)
Unrealized foreign exchange gain, net	-	(2,934,593)	(2,934,593)
FVOCI financial assets	(3,582,564)	(30,111,901)	(33,694,465)
	1,459,839	22,180,635	23,640,474
2021			
Deferred income tax assets (liabilities)			
Allowance for doubtful accounts	-	34,594,911	34,594,911
Leases	3,392,302	848,164	4,240,466
Accrued liabilities	1,317,921	-	1,317,921
Provision for warranty	303,121	-	303,121
Allowance for inventory obsolescence	219,243	-	219,243
Capitalized interest	(737,580)	-	(737,580)
Unrealized foreign exchange gain, net	-	(1,654,799)	(1,654,799)
Retirement benefit obligation	(6,352,358)	(5,321,003)	(11,673,361)
FVOCI financial assets	-	(26,947,134)	(26,947,134)
	(1,857,351)	1,520,139	(337,212)
Net operating loss carry over (NOLCO)	-	32,573,091	32,573,091
Minimum corporate income tax (MCIT)	-	7,943,443	7,943,443
	(1,857,351)	42,036,673	40,179,322

Details of the recoverability of the Company's deferred income tax assets, net as at December 31 are as follows:

	2022	2021
Deferred income tax assets		
To be recovered within 12 months	69,951,229	63,799,005
To be recovered after more than 12 months	-	18,819,606
	69,951,229	82,618,611
Deferred income tax liabilities		
To be settled within 12 months	(10,421,656)	(3,818,794)
To be settled after more than 12 months	(35,889,099)	(38,620,495)
	(46,310,755)	(42,439,289)
	23,640,474	40,179,322

The movements in deferred income tax assets, net for the years ended December 31 are as follows:

	Notes	2022	2021
January 1		40,179,322	72,576,707
Credited to profit and loss		(19,080,801)	(37,170,788)
Charged to other comprehensive income	10, 11	2,541,953	4,773,403
December 31		23,640,474	40,179,322

The details of NOLCO as at December 31 are as follows:

		NOLCO	
Year of incurrence	Year of expiration	2022	2021
2018	2021	-	92,706,000
2019	2022	73,418,292	73,418,292
2020	2025	38,656,956	38,656,956
2021	2026	28,456,179	28,456,179
2022	2027	95,402,164	-
		235,933,591	233,237,427
Expired		(73,418,292)	-
Derecognized		(162,515,299)	(124,660,457)
		-	108,576,970
Tax rate		25%	30%
		-	32,573,091

The Company is entitled to NOLCO benefit which can be applied to an entity's taxable income for three (3) succeeding years from the year the loss was incurred. Pursuant to Revenue Regulation No. 25-2020, Section 4 of Republic Act No. 11494 (Bayanihan to Recover as One Act), the Company is allowed to carry over the NOLCO incurred for taxable years 2020 and 2021 as a deduction from its taxable income for the next five (5) consecutive taxable years immediately following the year of such loss.

The details of the Company's MCIT follows:

		MCIT	
Year of incurrence	Year of expiration	2022	2021
2019	2022	5,010,073	5,010,073
2020	2025	2,041,322	2,041,322
2021	2026	892,048	892,048
2022	2025	1,527,895	-
		9,471,338	7,943,443
Expired		(5,010,073)	-
Derecognized		(4,461,265)	-
		-	7,943,443

Where higher than normal income tax, the Company is required to pay MCIT equal to 2% of gross income as required by the Tax Reform Act of 1997. This amount may separately be offset against normal income tax liabilities for the three (3) immediately succeeding taxable years. As at December 31, 2022, CREATE Act is considered substantively enacted for financial reporting purposes. As such, the Company utilized the MCIT rate of 1%.

Realization of the future taxable benefits relating to deferred income tax assets is dependent on many factors including the Company's ability to generate taxable income during the years in which those temporary differences are expected to be recovered. Management has considered these factors in reaching its conclusion to derecognize portion of NOLCO and MCIT as at December 31, 2022 and 2021.

The details of income tax expense for the years ended December 31 are as follows:

	2022	2021
Current	20,981,793	8,667,843
Deferred	19,080,801	37,170,788
	40,062,594	45,838,631

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

	5% - GIT	25%	Total
2022			
Income tax expense at statutory income tax rate	11,385,081	(28,491,899)	(17,106,818)
Add (deduct) tax effects of:			
Non-deductible expenses	8,068,817	275,927	8,344,744
Derecognized NOLCO	-	40,628,625	40,628,625
Expired NOLCO	-	18,354,573	18,354,573
Expired MCIT	-	5,010,073	5,010,073
Derecognized MCIT	-	4,461,265	4,461,265
Interest income subject to final tax	-	(668,911)	(668,911)
Other non-taxable income	-	(5,994,399)	(5,994,399)
Dividend income	-	(12,966,558)	(12,966,558)
Actual income tax expense	19,453,898	20,608,696	40,062,594
2021			
Income tax expense at statutory income tax rate	1,637,738	5,524,809	7,162,547
Add (deduct) tax effects of:			
Non-deductible expenses	7,477,778	17,258	7,495,036
Expired NOLCO	-	23,176,500	23,176,500
Impact of change in tax law	-	20,839,076	20,839,076
Interest income subject to final tax	-	(41,837)	(41,837)
Dividend income	-	(12,792,691)	(12,792,691)
Actual income tax expense	9,115,516	36,723,115	45,838,631

The income tax expense reported in the statements total of comprehensive income represents 5% tax on gross income from registered activities with Philippine Economic Zone Authority (PEZA) based on R.A. No. 7916 and 25% regular income tax on non-registered activities. The difference between the reported income tax expense in the statements total of comprehensive income and the expected income tax expense (benefit) computed by applying the 5% tax rate to the gross income is mainly due to the exclusion of the non-deductible expenses in accordance with the provisions of R.A. No. 7916.

On March 26, 2021, R.A. No. 11534, CREATE Act, was signed into law. CREATE Act took effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation. Among the salient provisions of CREATE include changes to the corporate income tax as follows:

- lowering of regular corporate income tax (RCIT) rate to 20% from 30% for 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;
- lowering of RCIT to 25% from 30% for all other domestic corporations from July 1, 2020; and
- for the period beginning July 1, 2020 until June 30, 2023, the MCIT rate shall be 1%, instead of 2%.

CREATE also rationalized fiscal incentives and provided sunset provisions for the existing incentives prior to the effectivity of the law.

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.

In 2021, the Company's income tax related to those income subject to regular tax has been measured using the reduced RCIT rate of 25%. In 2020, the change in rate was treated as a non-adjustment event, hence, there is a reduction in the income tax expense during 2021 amounting to P20,839,076.

For gross income related to registered activity, the Company will continue to enjoy the 5% gross income taxation for 10 years from the approval of CREATE until April 2031.

Note 13 - Trade and other payables

Trade and other payables as at December 31 consist of:

	Notes	2022	2021
Trade payables		30,247,398	21,157,211
Accrued expenses			
Rent	7	51,628,584	46,680,750
Materials and subcontractors' fee		51,516,094	16,192,640
Salaries, wages and other staff cost		43,697,830	29,318,579
Repairs and maintenance		32,075,156	27,343,430
Professional fees		11,452,471	1,878,279
Security		4,771,561	5,509,179
Interest	5, 14	2,855,999	5,404,159
Safety		2,449,297	1,540,450
Civic and welfare		2,388,579	1,450,000
Insurance		2,351,295	5,436,549
Utilities		2,351,201	4,984,634
Commissions		1,238,698	398,113
Non-trade payables		30,641,609	23,714,673
Payable to government agencies		27,049,091	28,844,622
Bid bond		3,620,597	2,622,750
Others		286,205	12,500,284
		300,621,665	234,976,302

Trade payables are amount due to suppliers for purchases of certain goods with an average credit term of 30 days.

Payable to government agencies include withholding taxes and other statutory contributions related to employees of the Company.

Non-trade payables pertain to the acquisition of shares to fractional shareholders and certain consultancy and IT related costs incurred in connection with the implementation of the Company's accounting software. These payables are unsecured, non-interest bearing and with an average credit term of 30 days.

Others are comprised of other overhead expenses, repairs and maintenance, uniforms, and clothing and other recurring accruals.

Note 14 - Bank loans

Bank loans as at December 31, 2022 amounted to P220,000,000 (2021 - P200,000,000).

Movements in bank loans for the years ended December 31 are as follows:

	2022	2021
January 1	200,000,000	380,000,000
Availments	400,000,000	380,000,000
Payments	(380,000,000)	(560,000,000)
December 31	220,000,000	200,000,000

In 2021, the Company availed of Peso unsecured short-term loans from local banks with a total amount of P380,000,000 and which bear an average interest of 3.77% and paid P560,000,000 of the total outstanding balance. The remaining short-term loans amounting to P200,000,000 is due to be paid in 2022.

In 2022, the Company availed of Peso unsecured short-term loans from local banks with a total amount of P400,000,000 and which bear an average interest of 3.75% and paid P380,000,000 of the outstanding balance. The remaining short-term loans amounting to P220,000,000 is due to be paid in 2023.

For the year ended December 31, 2022, finance costs charged to the statements of total comprehensive income pertaining to these bank loans amounted to P5,175,921 (2021 - P10,552,821). The remaining unpaid interest was recoded as part of accrued interest under trade and other payables (Note 13).

There is no required compliance to covenants and financial ratios as part of these short-term loan agreements. Further, there are no liens, securities, and collateral executed and delivered related to these short-term loans.

Note 15 - Provisions

Provisions as at December 31 consist of:

	2022	2021
Losses	40,307,333	44,478,296
Late cost	19,566,473	12,742,601
Warranty	16,969,792	6,062,418
	76,843,598	63,283,315

(a) Provision for losses

Provision for losses is recognized consistent with the requirements of PAS 37, *"Provisions, Contingent Liabilities and Contingent Assets"*. This is to cover estimated amount of losses arising from a legal loss in the ordinary course of business.

Movements in the provision for losses account for the years ended December 31 are as follows:

	Note	2022	2021
January 1		44,478,296	57,942,811
Provision	19	7,014,070	12,596,887
Payment		(11,185,033)	(26,061,402)
December 31		40,307,333	44,478,296

During 2022, the Company settled a portion of its provision for losses and paid P11,185,033 (2021 - P26,061,402). The amount of provision was recognized as part of operating expenses in the statements of total comprehensive income (Note 19).

(b) Provision for late cost

Late cost relates to provision for the expected cost of rectification work and guarantee work; and claims from third parties. This estimated probable cost has been developed based on historical experience and project management analysis.

Movements in the provision for late cost account for the years ended December 31 are as follows:

	2022	2021
January 1	12,742,601	16,664,804
Provision (Reversal)	8,529,008	(717,622)
Utilization	(1,705,136)	(3,204,581)
December 31	19,566,473	12,742,601

Provision is charged to cost of services under materials and supplies, direct labor, subcontract and staff in the statements of total comprehensive income (Note 18).

(c) Provision for warranty

Provisions are recognized for estimated warranty on completed projects. Warranty provision is computed on a per project basis based on management's best estimate. The Company reviews and evaluates the provision to determine its validity after a reasonable period of time.

Movements in the provision for warranty account for the years ended December 31 are as follows:

	Note	2022	2021
January 1		6,062,418	7,912,886
Provision (Reversal)	18	10,907,374	(1,850,468)
December 31		16,969,792	6,062,418

Note 16 - Equity

(a) Share capital and treasury shares

Details of share capital and treasury shares as at December 31 are as follows:

	2022		2021	
	Number of shares	Amount	Number of shares	Amount
Authorized, at P20,000 par value per share	109,000	2,180,000,000	109,000	2,180,000,000
Issued and fully paid, at P20,000 par value per share	100,353	2,007,157,512	100,353	2,007,157,512
Treasury shares	(573)	(29,210,179)	(535)	(27,331,620)
Issued and outstanding	99,780	1,977,947,333	99,818	1,979,825,892

Issued, fully paid and outstanding share capital carries voting right and a right to receive dividends.

On March 22, 2021, the SEC approved the Company's capital restructuring (Note 1).

In 2022, the Company purchased 38 treasury shares (2021 - 41 shares) for P1,878,559 (2021 - P25,887,838) or at P49,436 (2021 - P49,847) per share from its non-controlling shareholders.

(b) Reserves

Reserves as at December 31 consist of:

	Notes	2022	2021
Share premium		25,341,207	25,341,207
Investment valuation reserve	10	85,510,557	85,465,467
Remeasurement on retirement benefits	11	50,505,388	12,586,053
Appropriated retained earnings		110,000,000	110,000,000
		271,357,152	233,392,727

In a regular meeting held last November 6, 2020, the BOD has approved the appropriation of P110,000,000 out of its unrestricted retained earnings as at December 31, 2020, to be used for upgrading shipyard's facilities in order to increase efficiency, safety and security. This appropriation was subsequently released in 2021.

In a regular meeting held last November 5, 2021, the BOD has approved the appropriation of P110,000,000 out of its unrestricted retained earnings as at December 31, 2021, to be used for upgrading shipyard's facilities in order to increase efficiency, safety and security. This appropriation was subsequently released in 2022.

In a regular meeting held last October 27, 2022, the BOD has approved the appropriation of P110,000,000 out of its unrestricted retained earnings as at December 31, 2022, to be used for upgrading shipyard's facilities in order to increase efficiency, safety and security.

(c) Retained earnings

In a resolution by the Company's Board of Directors on May 6, 2022, the Company has been given authority to use its excess surplus profits to declare dividends to the shareholders amounting to P4,990,900 and was paid on July 28, 2022 (2021 - P4,992,800 was declared on June 18, 2021, and paid on July 31, 2021).

Under the Corporation Code of the Philippines, stock corporations are prohibited from retaining surplus profits in excess of 100% of their paid-up capital stock except when justified by any of the reasons mentioned in the code. As at December 31, 2022, total unappropriated retained earnings amounted to P2,762,811,784 (2021 - P2,694,131,245). The amount of unrestricted retained earnings is in excess of 100% of its share capital as at December 31, 2022 and 2021. The Company declares and pays cash dividends regularly to comply with Section 43, Power to declare dividends, of the Corporation Code of the Philippines. The Company plans to declare dividends based upon the favorable result of operations, considering the balance of outstanding loans with bank and related parties and the availability of unappropriated retained earnings.

Note 17 - Service revenues

The components of service revenues for the years ended December 31 consist of:

	2022	2021
Ship repair	912,508,686	573,783,684
Shipbuilding	229,007,093	-
	1,141,515,779	573,783,684

Note 18 - Cost of services

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

	Notes	2022	2021
Direct labor, subcontractors' fees and staff costs		333,632,066	185,894,133
Materials and supplies	4	140,585,764	21,349,812
Depreciation	7, 8	135,799,193	132,738,154
Chargeables and overheads		66,040,125	(171,493)
Electricity, commissions, towage and insurance		59,185,199	27,913,538
Repairs and maintenance		21,241,344	17,344,392
Retirement benefit expense	11	13,054,775	19,527,229
Provision (Reversal) of warranty	15	10,907,374	(1,850,468)
Rental	7	7,395,684	6,836,938
Provision for inventory obsolescence and write-down	4	324,594	1,181,873
Others		4,874,054	5,564,899
		793,040,172	416,329,007

Other expenses consist of representation expenses and other allocable expenses charged to the projects.

Note 19 - Operating expenses

The components of operating expenses for the years ended December 31 are as follows:

	Notes	2022	2021
Salaries and other short-term employee benefits		46,351,311	41,155,250
Security services		16,672,949	17,241,682
Repairs and maintenance		15,020,007	18,666,021
Professional fees		12,441,711	3,450,364
Depreciation	7, 8	7,147,326	6,986,219
Provision for losses	15	7,014,070	12,596,887
Rentals	7	6,391,521	32,666,556
Supplies		5,238,064	5,193,206
Utilities		5,085,936	6,091,583
Taxes and licenses		4,421,249	5,576,204
Insurance		2,957,158	3,421,892
Retirement benefit expense	11	2,303,784	3,445,982
Transportation and travel fees		1,368,618	760,440
Membership fees and dues		830,589	982,396
Representation and entertainment		305,714	111,065
Pandemic expenses		200,722	206,140
Bank charges		92,153	36,557
Advertising expense		38,000	1,280
Others		670,381	1,398,034
		134,551,263	159,987,758

Note 20 - Other income, net

The components of other income, net for the years ended December 31 are as follows:

	Notes	2022	2021
Dividend income	9, 10	51,866,234	51,170,763
Interest income	2, 3	7,357,783	4,965,830
Consumables issued to subcontractors		1,938,103	862,047
Write-off of long-outstanding payables		931,520	-
Scrap sales		413,294	20,294,290
Gain on disposal of property and equipment	8	319,966	30,579,466
Rental income	7	315,890	489,925
Directors’ fees		272,000	320,000
Foreign exchange losses, net	21	(50,600,698)	(17,420,428)
Miscellaneous income		1,312,357	7,304,352
		14,126,449	98,566,245

Miscellaneous income relates to back charges to subcontractors and sale of copper slags to KSSI. In addition, in March 2021, the Company earned a commission on the sale of KPHI land rights amounting to P7,172,000 and was charged as part of miscellaneous income.

Note 21 - Foreign currency denominated assets and liabilities

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

	2022		2021	
	In U.S. Dollar	In Singapore Dollar	In U.S. Dollar	In Singapore Dollar
Assets				
Cash and cash equivalents	7,494,921	302,937	932,242	97,516
Trade and other receivables, net	3,461,307	40,596	207,546	46,095
Due from related parties	-	157,155	67	114,003
Liabilities				
Trade and other payables	(293,150)	-		(27,934)
Due to related parties	(3,561,152)	(13,715,199)	(3,499,742)	(13,421,762)
Net foreign currency denominated assets (liabilities)	7,101,926	(13,214,511)	(2,359,887)	(13,192,082)
Closing rates	56.28	41.15	50.42	36.90
Philippine Peso equivalent	398,560,087	(549,459,367)	(118,985,503)	(486,787,826)

The components of foreign exchange losses, net for the years ended December 31 are as follows:

	Note	2022	2021
Realized foreign exchange losses, net		62,339,069	24,094,538
Unrealized foreign exchange gains, net		(11,738,371)	(6,674,110)
	20	50,600,698	17,420,428

(a) PEZA

The Company is registered with the PEZA as an ecozone export enterprise engaged in the oil rig construction, shipbuilding, ship repair and conversion, and leasing since on September 17, 2007. Under the registration, the Company retains the duty and importation privileges under Executive Order 226 and applicable provisions of the PEZA rules but is entitled to the 5% gross income tax (GIT) incentive, in lieu of all national and local taxes. As export producer of the registered activities, the Company enjoys income tax holidays (ITH) for the period of 6 years from January 2006 to December 2011. In 2012, the Company's application for the extension of ITH for the period January 1, 2012 to December 31, 2012 has been approved. Beginning January 1, 2013, the Company's registered activity is subject to 5% GIT.

(b) Maritime Industry Authority (MARINA)

The Company is registered with MARINA pursuant to Section 1 (d) of Presidential Decree No. 666 and Section 14 (i) Executive Order No. 125, as amended, and Republic Act No. 9295 upon verification of compliance with the requirements and standards provided under MARINA Circular No. 2007-02. The existing registration is valid from March 17, 2019 to March 16, 2024 subject to renewal thereafter.

Note 22 - Financial risks and capital management and fair value estimation

22.1 Financial risk factors

The Company's operations expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk, and cash flow and fair value interest rate risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

Risk management is carried out by the finance department under policies and guidelines approved by the BOD and ultimate parent company. The finance department identifies and evaluates financial risks in close cooperation with the Company's other business units.

(a) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's profit or the value of its holdings of financial instruments. The Company focuses on foreign exchange risk, price risk and interest rate risk. The objective and management of these risks are discussed below.

(i) Foreign exchange risk

Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities that are denominated in a currency that is not the Company's functional currency. Significant fluctuation in the exchange rates could significantly affect the Company's financial position. Foreign exchange risk arises when an investment's value changed due to changes in currency exchange rate.

Moreover, the Company manages its foreign currency exposure within the acceptable limits by mitigating its costs at consistent levels, regardless of any upward or downward movements in the foreign currency exchange rates. The Company believes that its profile of foreign currency exposure on its assets and liabilities is within conservative limits for a construction company engaged in this type of business.

The sensitivity rate used in reporting foreign exchange risk internally is the change in foreign exchange rates using historical movements of the U.S. Dollar and Singapore Dollar against the Philippine Peso. The sensitivity analysis includes all of the Company's foreign currency denominated monetary assets and liabilities.

The table below details the Company's sensitivity analysis between Philippine Peso and the relevant foreign currencies:

	2022	2021
U.S. Dollar		
Change against Philippine Peso	2.49%	4.85%
Impact on income before tax	(9,928,493)	4,325,286
Singapore Dollar		
Change against Philippine Peso	1.78%	2.58%
Impact on income before tax	9,776,095	9,430,486

(ii) Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The fair values of the listed securities are based on the quoted market prices while the fair values of non-listed securities are based the net asset value and/or discounted value of future cash flows using applicable rates for similar instruments.

The effect on other comprehensive income (as a result of a change in fair value of financial asset at FVOCI) due to a reasonably possible change in net asset value and/or discounted future cash flows, with all other variables held constant, will not have a significant impact on its financial statements.

(iii) Cash flow and fair value interest rate risk

The primary source of the Company's interest rate risk relates to cash and cash equivalents, due to related parties and bank loans as disclosed in Notes 2, 5 and 14, respectively. The sensitivity analysis has been determined based on the exposure to interest rates for non-derivative financial instruments at the end of each reporting period. The sensitivity rate in the analysis is the same rate used in reporting interest rate risk internally to key management personnel and represents the Company's best estimate at the reasonably possible change in interest rates.

Had interest rates been 10 basis point higher/lower and all other variables were held financial performance constant, the Company's income before tax for the year ended December 31, 2022 would have been increased/decreased by P3,505,943 (2021 - P3,589,186). The Company believes that fluctuations on the interest rates will not have significant effect on the Company's financial statements.

(b) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company trades only with recognized and creditworthy third parties. It is the Company's policy that all counterparties who wish to trade on credit terms are subject to credit verification procedures. The Company routinely assesses the financial strength of its customers.

The aging analysis of the Company's financial assets as at December 31 follows:

		Stage 1 - Performing	Stage 2 - Underperforming	Stage 3 - Non-performing	Total
2022					
Cash and cash equivalents	(i)	518,578,672	-	-	518,578,672
Trade receivables and other receivables*	(ii)	245,076,073	227,179,835	131,410,802	603,666,710
Due from related parties	(iii)	13,736,829	-	-	13,736,829
		777,391,574	227,179,835	131,410,802	1,135,982,211
2021					
Cash and cash equivalents	(i)	161,192,949	-	-	161,192,949
Trade receivables and other receivables*	(ii)	180,088,963	256,487,993	136,920,494	573,497,449
Due from related parties	(iii)	6,129,085	-	-	6,129,085
		347,410,997	256,487,993	136,920,494	740,819,483

**excluding advances to suppliers, deposits and receivable from government agencies and others*

<u>Credit quality of financial assets</u>

(i) Cash and cash equivalents

Cash are deposited/placed in banks that are considered stable as they qualify as universal and commercial banks as defined by the Philippine Banking System and are approved by the BOD to minimize credit risk. The amounts deposited in these banks are as follows:

	Note	2022	2021
Universal banks		466,648,021	101,431,354
Commercial banks		26,149,125	49,575,423
	2	492,797,146	151,006,777

The Company's remaining cash equivalents are placed in Kephinance Investment Pte. Ltd, an entity under common control, whose principal activity is investment holding in various investments as well as financing and treasury function within the Keppel Group (Note 5).

The diversified investment policy limits the Company's exposure both to credit risk and to concentrations of credit risk.

Cash and cash equivalents as at December 31, 2022 and 2021 are all considered high grade financial assets.

(ii) Trade and other receivables

The Company applies PFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. There is no concentration of credit risk with respect to trade and other receivables since the Company has a large number of counterparties involved.

The Company's maximum credit risk exposure on trade and other receivables is equal to the carrying amount in the statements of financial position (Note 3). None of the financial assets that are fully performing has been renegotiated in 2022 and 2021.

The loss allowance as at December 31 was determined as follows for trade receivables:

	Stage 1 - Performing	Stage 2 - Underperforming	Stage 3 - Non-performing	Total
2022				
Expected loss rate	0.03%	41.27%	100%	
Trade receivables	245,076,073	227,179,835	131,410,802	603,666,710
Loss allowance	64,960	93,764,888	131,410,802	225,240,650
2021				
Expected loss rate	0.02%	3.60%	100%	
Trade receivables	180,088,963	256,487,993	136,920,494	573,497,449
Loss allowance	43,653	9,363,133	136,920,494	146,327,280

The credit quality of trade receivables that are neither past due nor impaired can be assessed by reference to internal credit ratings (if available) or to historical information about counterparty default rates. A default on a financial asset is when the counterparty fails to make contractual payments within 60 days from due date.

As at December 31, 2022, trade and other receivables of P78,562,288 (2021 - P39,031,312) are non-performing. These trade and other receivables were provided for in full with an allowance for impairment. The individually impaired trade and other receivables mainly relate to counterparties which are in unexpectedly difficult economic situations which also appropriately includes certain customers during the year whose credit terms were extended as a result of the pandemic.

Other receivables such as advances and loans to employees and interest receivables are classified as performing and are considered as high-grade in nature as evidenced by its limited history of insignificant default from the involved counterparties.

Other receivables such as advances to suppliers, deposits, and receivables from government agencies are not considered as financial assets but are considered in credit risk assessment of the Company. These other receivables are classified as performing and are considered as high-grade in nature as evidenced by its limited history of insignificant default from the involved counterparties. As such, management believes minimal to zero loss rate is appropriate and the current provision for impairment amounting to P1,718,610 for non-performing other receivables is in accordance with its risk and nature and is deemed adequate as at December 31, 2022 and 2021.

(iii) Due from related parties

The credit exposure on due from related parties is considered to be minimal as there is no history of default and collections are expected to be made within 90 days to 1 year. The maximum amount exposed to credit risk on due from related parties is equal to the carrying amount in the statements of financial position (Note 5). The balances due from related parties are considered as high-grade financial assets.

(c) Liquidity risk

Liquidity risk arises when the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions, without incurring unacceptable losses or risking damage to the Company's reputation.

The following table analyzes the Company's non-derivative financial liabilities (excluding payable to government agencies) as at December 31 into relevant maturity groupings based on the remaining period at financial position date to the contractual maturity date.

The amounts disclosed in the table are contractual undiscounted cash flows except for lease liabilities which is presented on a discounted cash flow. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

The table below includes both interest and principal cash flows:

	Notes	Less than 1 year	More than 1 year
2022			
Trade and other payables**	13	273,572,574	-
Bank loans*	14	226,573,250	-
Lease liabilities*	7	10,665,920	214,758,379
Due to related parties*	5	786,843,416	-
		1,297,655,160	214,758,379
2021			
Trade and other payables**	13	206,131,680	-
Bank loans*	14	203,660,822	-
Lease liabilities*	7	10,508,294	225,424,298
Due to related parties*	5	970,189,393	-
		1,390,490,189	225,424,298

**including future expected interest*
***excluding payable to government agencies*

22.2 Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

There are no externally-imposed restrictions to capital.

The Company monitors capital based on its net debt. The Company's net gearing ratio is calculated as net debt (bank loans and borrowings from related parties less cash and cash equivalents) divided by total equity.

There were no changes made in the capital management policies for the years ended December 31, 2022 and 2021.

The net debt reconciliation and gearing ratio as at December 31 are presented below:

	Notes	2022	2021
Bank loans	14	220,000,000	200,000,000
Borrowings from related parties	5	665,757,003	878,015,225
Cash and cash equivalents	2	(518,578,672)	(161,192,949)
Net debt		367,178,331	916,822,276
Total equity	16	5,012,116,269	4,907,349,864
Net gearing ratio		0.07:1	0.19:1

Movements in financing liabilities comprising the net debt are disclosed in the related notes to the financial statements.

22.3 Fair value estimation

(a) Financial assets and liabilities

As at December 31, 2022 and 2021, except for the financial assets at FVOCI financial assets, the Company does not have other financial instruments that are measured at fair value. The Company's financial assets at FVOCI measured at fair value amounting to P489,631,473 (2021 - P489,582,700) are included in Levels 1 and 2 (Note 10).

Due to the short-term maturities of cash and cash equivalents (Note 2), trade and other receivables excluding advances to suppliers and receivables from government agencies (Note 3), due from related parties (Note 5), trade and other payables excluding payable to government agencies (Note 13), and due to related parties (Note 5), their carrying amounts approximate their fair values.

Since the bank loans are interest-bearing subject to repricing based on prevailing market interest rate, the Company believes the fair values of bank loans approximate its carrying amounts (Note 14).

(b) Non-financial assets and liabilities

As at December 31, 2022 and 2021, the Company does not have other non-financial assets and liabilities that are measured at fair value.

Note 23 - Critical accounting estimates, assumptions and judgments

The preparation of the financial statements in conformity with Philippine Financial Reporting Standards (PFRS) requires management to make estimates, assumptions and judgments that affect the amounts reported in the financial statements and the related notes. 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 Company makes estimates, assumptions and judgments concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. 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 as follows.

23.1 Critical accounting estimates and assumptions

(a) Estimating measure of progress of construction contracts

The Company recognizes revenue using measure of progress method. The Company determines the appropriate measure of progress rate to be applied to the total contract and estimated costs at the end of financial year based on estimated equivalent percentage of the physical appearance of the project. Revenue recognized under the measure of progress method arising from ship repair and shipbuilding construction contracts for the year ended December 31, 2022 amounted to P1,141,515,779 (2021 - P573,783,684) (Note 17).

The Company's revenue recognition policies on construction contracts require the use of estimates and assumptions that may affect the reported amounts of revenues and income before tax. Differences between the amounts initially recognized and actual settlements are taken up in the accounts upon reconciliation. However, there is no assurance that such use of estimates may not result in material adjustments in future periods. For all customer contracts with revenue recognized during the year, had the measure of progress increased or decreased by 5% (based on assessment threshold used by management) with all other variables held constant, revenue and income before tax for the year ended December 31, 2022 would have been P57,075,789 (2021 - P54,853,992) higher or lower.

(b) Estimating useful lives of property and equipment

The Company determines the estimated useful lives and related depreciation charges for property and equipment. This estimate is based on the expected future economic benefits to the Company. Such estimation is based on a collective assessment of similar business, internal technical evaluation and experience with similar assets. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical and commercial obsolescence and legal or other limits on the use of these assets. The Company will increase the depreciation where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete assets that have been abandoned or sold.

As at December 31, 2022, the carrying amounts of the Company's property and equipment amounted to P1,191,690,941 (2021 - P1,479,195,841). Total accumulated depreciation as at December 31, 2022 amounted to P2,590,733,501 (2021 - P2,455,071,083) (Note 8).

If the actual useful lives of these assets differ by 10% from management's estimates, the carrying amount of these assets as at December 31, 2022 would be P287,859,278 (2021 - P272,785,676) lower or P235,521,227 (2021 - P223,188,280) higher.

(c) Determining net realizable value of inventories

The Company writes down the cost of inventories whenever the net realizable value of inventories becomes lower than cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes. The lower of cost and net realizable value of inventories is reviewed regularly to reflect the accurate valuation in the financial records. Inventory items identified to be obsolete and unusable are also written off and charged as expense during the period.

If non-moving inventory items for at least five (5) years are provided with an allowance, the Company would incur an additional expense of P2,985,787 in 2022 (2021 - P3,002,070).

As at December 31, 2022, total inventories recognized in the Company's statements of financial position amounted to P87,038,846 (2021 - P96,966,225) which is net of the related allowance for inventory obsolescence amounting to P3,982,478 (2021 - P4,384,844) (Note 4).

(d) Estimating allowances for doubtful accounts

The allowance for doubtful accounts related to its trade receivables are based on assumptions about risk of default and expected loss rates. The Company uses estimates in making these assumptions and selecting the inputs to the impairment calculation, based on the 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 in Note 24.

As at December 31, 2022, total trade receivables recognized in the Company's statements of financial position amounted to P411,145,441 (2021 - P465,073,903) which is net of the related allowance for doubtful accounts amounting to P226,959,260 (2021 - P148,045,890) (Note 3).

(e) Determining retirement benefit obligation

The Company maintains a qualified defined benefit retirement plan. The calculations of retirement costs of the Company are dependent upon the use of assumptions, including discount rates, expected return on plan assets, interest cost, future salary increases, benefits earned, mortality rates, the number of employee retirements, the number of employees electing to take lump-sum payments and other factors.

Actual results that differ from assumptions are accumulated and amortized over future periods and, therefore, generally affect recognized expense and the recorded obligation in future periods. While the Company believes that the assumptions used are reasonable, differences in actual experience or changes in assumptions may materially affect the Company's retirement benefit obligation and future expense.

In determining the long-term rates of return, the Company considers the nature of the plans' investments, an expectation for the plans' investment strategies, historical rates of return and current economic forecasts. The Company evaluates the expected long-term rate of return annually and adjusts such rate as necessary. The possible effects of sensitivities surrounding the actuarial assumption at the reporting date are presented in Note 11.

(f) Estimating provision for warranty claims

A provision is recognized for expected warranty claims on ship repair and shipbuilding activities performed during the year based on experience of its own repairs and from professional advices from related parties with shipbuilding operations. It is expected that most of these costs will probably be incurred in the next financial year and all will probably be incurred within one year as at the reporting date.

Assumptions used to calculate the provision for warranty were based on current revenue levels and current information available about defects based on the one-year warranty period for shipbuilding and six-month warranty period for ship repair services provided.

If the total estimated warranty claims would be higher by 6% (based on average historical actual against provision data), cost of services and provision for warranty would increase by P1,018,188 in 2022 (2021 - P363,745).

As at December 31, 2022, warranty provisions recognized in the statements of financial position amounted to P16,969,792 (2021 - P6,062,418) (Note 15).

(g) Estimating late cost provision

Due to complexity of the shipbuilding and repair projects, the Company involved significant accounting estimates in recognizing late cost accrual for the expected cost of rectification work and guarantee work; and claims from third parties. These estimated probable costs have been developed based on historical experience and project management analysis.

While the Company believes that the assumptions used in the estimation of such costs are reasonable, significant changes in these assumptions may materially affect the recorded expense or obligation in the future periods. If total estimated late cost provision would be higher by 26% (based on average historical actuals against provision data), income before tax for the year ended December 31, 2022 would decrease by P5,087,283 in 2022 (2021 - P3,313,076).

Late cost provision recognized in the statements of financial position as at December 31, 2022 amounted to P19,566,473 (2021 - P12,742,601) (Note 15). The Company believes that this represents the best estimate of provision considering the complexity of the projects.

(i) Estimating provision of losses

Management also makes judgments and estimates in recording liabilities for claims, litigations and tax matters. Actual costs can frequently vary from estimates for a number of reasons. For example, the costs from settlement of claims and litigation can vary from estimates based on differing interpretations of laws, opinions on culpability and assessments on the amount of damages.

(h) Determining incremental borrowing rate

To determine the incremental borrowing rate, the 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 Company uses the government bond yield, adjusted for the (1) credit spread specific to the Company and (2) security using the right-of-use asset. The basis of the discount rates applied by the Company are disclosed in Note 7.

The Company is exposed to fixed-rate interest rate risk related to its lease liabilities. Lease liabilities are amortizing liabilities where each of the lease payments is treated partly as a payment of principal and partly as payment of interest. Accordingly, the interest rate risk will have a diminishing impact on the Company over the term of the lease.

23.2 Critical judgments in applying the Company's accounting policies

(a) Determination of control over investments in subsidiaries

The Company exercises its judgment in determining whether it has control over another entity by evaluating the substance of relationship that indicates the control of Company over its subsidiaries. The recognition and measurement of the Company's investment over these subsidiaries will depend on the judgment made.

Based on the assessment made by the management, it was determined that the Company has control over its subsidiaries disclosed in Notes 1 and 9 as at December 31, 2022 and 2021.

(b) Investment in an associate

An associate is an entity over which the Company has significant influence, being the power to participate in the financial and operating policy decisions of the investee but not control or joint control. The Company has 20.72% interest in CLI and management has clearly identified CLI as an associate as disclosed in Note 9.

(c) Functional currency

The Company considers the Philippine Peso as the currency that most faithfully represents the economic effect of the underlying transactions, events and conditions. The Philippine Peso is the currency of the primary economic environment in which the Company operates. It is the currency in which the Company measures its performance and reports its results.

(d) Determining the lease term

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

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

(e) Impairment of financial assets at FVOCI

The Company recognizes impairment losses on financial asset at FVOCI when there has been a significant or prolonged decline in the fair value of such investments below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgment. In determining whether the decline in value is significant, the Company considers historical volatility of market price (i.e., the higher the historical volatility, the greater the decline in fair value before it is likely to be regarded as significant) and the period of time over which the market price has been depressed (i.e., a sudden decline is less significant than a sustained fall of the same magnitude over a longer period). Future events could cause the Company to conclude that these assets are impaired. Any resulting additional impairment loss could have a material impact on the Company's financial statements. The carrying value of these investments is shown in Note 10.

(f) Recognizing deferred tax assets

Significant judgment is required in determining income tax expense. There are many transactions and calculations for which the ultimate tax determination is uncertain in the ordinary course of business. The Company reviews the carrying amounts of deferred income tax assets at each reporting date and reduces the amounts to the extent that it is no longer probable that sufficient taxable profit will allow all or part of its deferred tax income to be utilized.

Recognition of deferred income tax assets depends on management's assessment of the probability of available future taxable income against which the temporary differences can be applied. As at December 31, 2022, total deferred income tax assets recognized in the statements of financial position amounted to P69,951,229 (2021 - P82,618,611) (Note 12).

During 2022, the Company derecognized NOLCO amounting to P40,628,825 (2021 - P25,736,266) as the management assessed that it is no longer probable that sufficient future taxable profits will be available to allow portion of NOLCO and MCIT to be utilized.

(g) Impairment of non-financial assets

(i) Investment in subsidiaries and an associate

To determine if its investment in subsidiaries and an associate are impaired, the Company evaluates whether its ownership interest in the net assets of its subsidiaries and an associate after fair value adjustments on depreciable and non-depreciable non-current assets is less than its cost. Other factors considered are financial health and short and long-term business outlook, including operational and financing cash flows.

As at December 31, 2022, the carrying value of investment in KSSI amounting to P3,637,060,798 is higher than the Company's share in net assets of KSSI. Based on the management's assessment, the recoverable amount from the investment if higher than its carrying amount. KSSI is expected to rebound from the effects of the COVID-19 pandemic in its operations in the coming years. The carrying value of investment in KBSI and CLI amounting to P11,000,000 and P6,242,038, respectively, is lower than the Company's share in net assets to these entities (Note 9).

(ii) Other non-financial assets

The Company's other non-financial assets consist of other receivables specifically advances to supplier and deposits on other facilities, prepayments and other current assets, property and equipment, and other non-current assets. Impairment review is performed when certain impairment indicators are present. Determining the fair values of assets requires the estimation of cash flows expected to be generated from the continued use and ultimate disposition of such assets.

While it is believed that the assumptions used in the estimation of fair values reflected in the financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse impact in the statements of total comprehensive income.

The carrying values of the Company's non-financial assets presented in the statements of financial position as at December 31 are as follows amounted to:

	Notes	2022	2021
Deposits	3	1,258,515	1,258,515
Receivables from government agencies and others	3	171,433	374,563
Advances to suppliers	3	26,731,491	32,918,349
Inventories, net	4	87,038,846	96,966,225
Prepayments and other current assets	6	68,251,165	72,220,054
Right-of-use assets, net	7	48,044,057	50,331,869
Property and equipment, net	8	1,191,690,941	1,479,195,841
Investments in subsidiaries and other associates	9	3,654,302,836	3,654,302,836
Other non-current assets		2,243,128	2,243,127
		5,079,732,412	5,389,811,379

Note 24 - Summary of significant accounting policies

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

24.1 Basis of preparation

The financial statements of the Company have been prepared in accordance with PFRS. The term PFRS in general includes all applicable PFRS, Philippine Accounting Standards (PAS), interpretations of the Philippine Interpretations Committee (PIC), Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the Financial Reporting Standards Council (FRSC) and adopted by the SEC.

The preparation of financial statements in conformity with PFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 23.

The financial statements of the Company have been prepared on historical cost basis, except for:

- financial assets at FVOCI; and
- the plan assets of the defined benefit retirement plan which are measured at fair value.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

24.1.1 Separate financial statements

These are the Company's separate financial statements. Separate financial statements are those presented by a parent, an investor in an associate or a venturer in a jointly controlled entity, in which the investments are accounted for on the basis of direct equity interest rather than on the basis of the reported results and net assets of the investees.

24.1.2 Exemption from consolidation

The Company did not present consolidated financial statements having met all of the following criteria set out in PFRS 10, *"Consolidated Financial Statements":*

(a) The Company is itself a partially owned subsidiary of another entity, and its owners including those not otherwise entitled to vote, have been informed about, and do not object to the Company not preparing consolidated financial statements;
(b) The Company's debt or equity instruments are not traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets);
(c) The Company did not file, nor is it in the process of filing, its financial statements with a securities commission or other regulatory organization for the purpose of issuing any class of instruments in a public market; and
(d) The ultimate parent of the Company produces consolidated financial statements available for public use that comply with Singaporean Financial Reporting Standards, which is substantially aligned with International Financial Reporting Standards (IFRS).

The consolidated financial statements of KCL, the ultimate parent company, can be obtained from www.kepcorp.com.

Changes in accounting policy and disclosures

(a) New standards, amendment to existing standards and interpretations applied by the Company

The Company has applied the following amendments for the first time for their annual reporting period commencing January 1, 2022:

- Property, Plant and Equipment: Proceeds before Intended Use - Amendments to PAS 16;
- Onerous Contracts - Cost of Fulfilling a Contract - Amendments to PAS 37; and
- Annual Improvements to PFRS Standards 2018-2020.

The amendments listed above did not have any impact on the amounts recognized in prior periods and are not expected to significantly affect the current or future periods.

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

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for December 31, 2022 reporting periods and have not been early adopted by the Company. These standards, amendments or interpretations are not expected to have a material impact on the Company in the current or future reporting periods and on foreseeable future transactions.

24.2 Cash and cash equivalents

Cash includes deposits held at call with banks which are carried in the statement of financial position at amortized cost. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three (3) months or less from acquisition date and that are subject to an insignificant risk of change in value.

Refer to Note 24.3 for other relevant accounting policies on cash and cash equivalents.

24.3 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The Company recognizes a financial instrument in the statement of financial position, when, and only when, it becomes a party to the contractual provisions of the instrument.

Financial assets

(a) Classification

The Company classifies its financial assets in the following measurement categories: fair value through profit or loss (FVPL), FVOCI and amortized cost. The Company did not hold financial assets under the category financial assets at FVPL as at December 31, 2022 and 2021.

The classification depends on the entity's business model for managing the financial assets and the contractual term of the cash flows.

(i) Amortized cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other gains/losses together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of total comprehensive income.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. The Company's financial assets measured at amortized cost comprise cash and cash equivalents (Note 24.2), trade and other receivables (excluding advances to suppliers, deposits and receivables from government agencies) (Note 24.4), and due from related parties (Note 24.22) in the statement of financial position.

(ii) Fair value through other comprehensive income

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI. The Company's financial assets measured at FVOCI represent unquoted shares of stock of related parties and quoted investments in various golf club shares and stocks. These are classified in the statement of financial position (Note 10).

(b) Recognition and measurement

(i) Initial recognition and measurement

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Company commits to purchase or sell the asset. Financial assets not carried at fair value through profit or loss are initially recognized at fair value plus transaction costs.

(ii) Subsequent measurement

Financial assets are carried at amortized cost using the effective interest method.

The Company subsequently measures all equity investments at fair value through profit or loss, except where the Company's management has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI. The Company's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns.

When this election is used, fair value gains and losses are recognized in other comprehensive income and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognized in profit or loss as other income when the Company's right to receive payments is established.

(c) Impairment

(i) Financial assets at amortized cost

The Company recognizes an expected credit loss for all debt instruments not held at FVPL. Expected credit losses are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. Expected credit losses are recognized in two stages.

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

For cash and cash equivalents and other receivables and due from related parties, the Company applies a general approach in calculating expected credit losses. The 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 carrying amount of the financial asset is reduced through the use of an allowance account, and the amount of the loss is charged against profit or loss in the statement of total comprehensive income. When the financial asset remains uncollectible after the Company has exerted all legal remedies, it is written-off against the allowance account. Subsequent recoveries of amounts previously written-off are credited to profit or loss in the statement of total comprehensive income.

For trade receivables, the Company applies a simplified approach in calculating expected credit losses. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime expected credit losses at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Impairment testing of trade receivables is described in Note 24.4.

The Company considers a financial asset in default when contractual payments are past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written-off when there is no reasonable expectation of recovering the contractual cash flows.

(ii) Equity investments

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For equity investments, a significant or prolonged decline in the fair value of security below its cost is also evidence that the assets are impaired.

If any such evidence exists the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss - is removed from equity and recognized in profit or loss. Impairment losses recognized in the profit or loss on equity instruments are not reversed through other comprehensive income.

(d) Derecognition

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Financial liabilities

(a) Classification

The Company classifies its financial liabilities in the following categories: financial liabilities at fair value through profit or loss (including financial liabilities held for trading and those that designated at fair value) and financial liabilities at amortized cost. The Company's financial liabilities are limited to financial liabilities at amortized cost as at December 31, 2022 and 2021.

Financial liabilities at amortized cost pertains to issued financial instruments that are not classified as fair value through profit or loss and contain contract obligations to deliver cash or another financial asset to the holder or to settle the obligation other than the exchange of a fixed amount of cash. These are included in current liabilities, except for maturities greater than twelve (12) months after the reporting period which are classified as non-current liabilities.

The Company's trade and other payables (excluding payable to government agencies) (Note 24.11), bank loans (Note 24.12), and due to related parties (Note 24.22) are classified under financial liabilities at amortized cost.

(b) Recognition and measurement

(i) Initial recognition and measurement

Financial liabilities at amortized cost are initially recognized at fair value plus transaction costs.

(ii) Subsequent measurement

Financial liabilities are carried at amortized cost using the effective interest method.

(c) Derecognition

Financial liabilities at amortized cost are derecognized when extinguished, i.e., when the obligation is discharged or is cancelled, expires, or paid.

<u>Offsetting of financial assets and liabilities</u>

Financial assets and liabilities are offset, and the net amount is 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 Company or the counterparty. As at December 31, 2022 and 2021, there were no offsetting of financial assets and liabilities.

24.4 Trade and other receivables

Trade receivables arising from services performed with credit term of 30 to 180 days are recognized initially at invoice amount, unless they contain significant financing components, which approximates fair value and subsequently measured at amortized cost using the effective interest method, less any provision for impairment. Other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less any provision for impairment. Other receivables are held for collection of contractual cash flows only.

The Company applies the PFRS 9 simplified approach in measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized within operating expenses and if material, as a separate line item in the statement of total comprehensive income. When a receivable remains uncollectible after the Company has exerted all legal remedies, it is written-off against the allowance account for receivables. Subsequent recoveries of amounts previously written-off are credited against operating expenses in the statement of total comprehensive income.

The expected loss rates are based on the payment profiles of sales over a period of 48 months 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 Company has identified the bank interest rates to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes in this factor.

Refer to Note 24.3 for other relevant accounting policies on trade and other receivables.

24.5 Prepayments and other assets

Prepayments and other assets are expenses paid in cash and recorded as assets before they are used or consumed, as the service or benefit will be received in the future. Prepayments expire and are recognized as expense either with the passage of time or through use or consumption. Prepayments and other assets are included in current assets, except when the related goods or services are expected to be received and rendered more than twelve months after the end of the reporting period, in which case, these are classified as non-current assets. Prepaid taxes pertain to excess tax credits carry-over which can be applied to future income tax liabilities. Tax receivable can be used up for the current taxes payable.

Other current assets include assets that are realized as part of the normal operating cycle and are expected to be realized within twelve months after the reporting period.

24.6 Inventories

Inventories are initially measured at cost. Subsequently, inventories are stated at lower of cost and net realizable value. Costs of work-in-progress include direct materials, labor and a proportion of manufacturing overhead costs based on normal operating capacity. Purchase cost of materials and supplies are accounted using the weighted average method.

Net realizable value represents the estimated billed price in the ordinary course of business less estimated costs of completion and estimated cost necessary to make the sale. When the net realizable value of the inventories is lower than the cost, the Company provides an allowance for the decline in the value of inventory and recognizes the write-down as an expense in the statement of total comprehensive income.

The amount of any reversal of any write-down of inventories, arising from an increase in net realizable value, is recognized as a reduction in the amount of inventories recognized as an expense in the statement of total comprehensive income in the period in which the reversal occurs. Inventories are derecognized when they are sold or there are no future benefits to the Company. The carrying amount of those inventories is recognized as an expense, reported as cost of sales in the period in which the related revenue is recognized.

24.7 Property and equipment

Property and equipment are stated at historical cost less subsequent depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items, which comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Costs of assets under construction are accumulated in the accounts until these projects are completed upon which they are classified to the appropriate property accounts.

Subsequent costs are included in the assets' 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 Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged through in the statement of total comprehensive income during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost amounts to their residual values over their estimated useful lives (in years), as follows:

Ship repair and construction machinery	2 to 30 years
Buildings and improvements	20 years
Drydock	20 to 60 years
Office furniture and other equipment	2 to 5 years
Transportation equipment	5 years

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 24.9).

Properties in the course of construction for use in operation, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognized impairment loss.

Cost includes professional fees, and for qualifying assets, borrowing costs capitalized in accordance with the Company's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences at the time the assets are ready for their intended use.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized through profit or loss in the statement of total comprehensive income.

24.8 Investments in subsidiaries and associates

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are recognized from the date on which control is transferred to the Company. Investment in subsidiaries are measured initially at cost. Subsequent to initial recognition, investment in subsidiaries are carried in the Company's financial statements at cost less any provision for impairment losses (Note 24.9).

The investment in subsidiaries are derecognized upon disposal or when no future economic benefits are expected to arise from the investment. Gain or loss arising on the disposal is determined as the difference between the sales proceeds and the carrying amount of the investment in subsidiaries and is recognized through profit or loss in the statement of total comprehensive income.

(b) Associates

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies.

Investment in an associate in the Company's financial statements is initially measured at cost and subsequently measured in the statement of financial position at cost less any impairment in the value of individual investments.

The Company did not apply the equity method as it meets all four conditions set in PAS 28, *"Investment in Associates and Joint Ventures"* as follows:

- the Company is itself a wholly-owned subsidiary, or is a partially-owned subsidiary of another entity and its other owners, including those not otherwise entitled to vote, have been informed about, and do not object to, the Company not applying the equity method;
- the Company's debt or equity instruments are not traded in a public market;
- the Company did not file nor is it in the process of filling, its financial statements with a securities commission for the purpose of issuing any class of instruments in a public market; and
- the ultimate parent of the Company produces consolidated financial statements available for public use that comply with IFRS which is substantially similar to PFRS.

The Company's accounting policy for impairment of financial assets is applied to determine whether it is necessary to recognize any impairment loss with respect to its investment in an associate.

When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with the Company's accounting policy on impairment of tangible assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less cost to sell) with the carrying amount, any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

Upon disposal of an associate that results in the Company losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with PFRS 9, *"Financial instruments"*.

The difference between the carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Company reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over that associate.

The investment in an associate is derecognized upon disposal or when no future economic benefits are expected to arise from the investment. Gain or loss arising on the disposal is determined as the difference between the sales proceeds and the carrying amount of the investment in an associate and is recognized as other income or expense in the statement of total comprehensive income.

24.9 Impairment of non-financial assets

Asset that has an indefinite useful life such as investment in subsidiaries and an associate not subject to amortization is evaluated annually for impairment. Assets that have definite useful lives and are subject to depreciation 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 costs 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). Non-financial assets other than goodwill that are previously impaired are reviewed for possible reversal of the impairment at each reporting date. Subsequent reversals are credited to other income in the statement of total comprehensive income.

24.10 Current and deferred income tax

Income tax expense for the year comprises current and deferred income tax. Tax is recognized in the statement of total comprehensive income, except to the extent 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 and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax 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 nor loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted at the reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax losses (net operating loss carryover or NOLCO) and unused tax credits (excess minimum corporate income tax or MCIT) to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Deferred income tax liabilities are recognized in full for all taxable temporary differences, except to the extent that the deferred income tax liability arises from the initial recognition of goodwill.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

The Company reassesses at each reporting date the need to recognize a previously unrecognized deferred income tax asset. Deferred income tax assets and liabilities are derecognized when related bases have been realized or settled, respectively.

24.11 Trade and other payables

Trade payables and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables and other current payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables and other payables are recognized initially at transaction price and subsequently measured at amortized cost using the effective interest rate method.

Trade payables and other payables are derecognized when the obligation under the liability is discharged or cancelled, or has expired. Where an existing liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of total comprehensive income through profit or loss.

Refer to Note 24.3 for other relevant accounting policies on trade payables and other current liabilities.

24.12 Borrowings and borrowing cost

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated 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. Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

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.

All general and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized as finance costs through profit or loss in the statement of total comprehensive income in the period in which they are incurred.

Refer to Note 24.3 for other relevant accounting policies on borrowings.

24.13 Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

Provisions are derecognized when the obligation is paid, cancelled or has expired.

24.14 Contingencies

Contingent liabilities are not recognized in the financial statement. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but disclosed when an inflow of economic benefit is probable. If it becomes virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the financial statement.

24.15 Employee benefits

(a) Retirement benefits

Typically, defined benefit plans define an amount of retirement benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The retirement benefit asset (obligation) recognized in the statement of financial position in respect of the defined benefit plan is the surplus (deficit) of the fair value of plan assets over the present value of the defined benefit obligation. The retirement 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.

The retirement benefit asset recognized in the statement of financial position is measured at the lower of the surplus in the defined benefit plan and the asset ceiling. The rates used to discount the estimated cash outflows and to determine the asset ceiling are determined by reference to market yields at the end of the reporting period on high quality government bonds.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past-service costs are recognized immediately through profit or loss in the statement of total comprehensive income.

(b) Termination benefits

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognizes termination benefits at the earlier of the following dates: (a) when the 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, *"Provisions, Contingent Liabilities and Contingent Assets"* 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.

(c) Short-term employee benefits

The Company recognizes a liability and an expense for short-term employee benefits which include salaries, social security contributions, paid sick and vacation leaves, and bonuses. Bonuses are based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Company recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

Liabilities for employee benefits are derecognized when the obligation is settled, cancelled or has expired.

24.16 Advances from customers

Advances from customers represent cash received for future services or rental. These are recognized and carried at cost. These are derecognized upon application against actual contract price from execution of services.

24.17 Equity

(a) Share capital

Share capital are stated at par value and are classified as equity. Incremental costs directly attributable to the issuance of new shares are shown in equity as a deduction from the proceeds, net of tax.

Where the Company purchases its equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's shareholders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's shareholders.

(b) Retained earnings

Retained earnings include all current and prior years' results of operations, net of transactions with shareholders and dividends declared, if any. Retained earnings may also include the effect of changes in accounting policy as may be required by the relevant standards' transitional provision on their initial adoption.

24.18 Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the period in which the dividends are approved by the Company's BOD.

24.19 Revenue and expense recognition

(a) Rendering of services

Revenue from a ship repair contract to provide services is recognized by reference to the stage of completion of the contract. Under this method, revenue is recognized in the accounting periods in which the services are rendered. The customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs the service. Therefore, the Company transfers control of service and recognizes revenue over time. 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. This is determined based on the actual labor hours spent and materials used relative to the total expected labor hours and materials usage.

The measure of progress from the contract to provide service is determined using milestones as computed by the Company's project engineers. The determined measure of progress rate to be applied to the total contract and estimated costs is equivalent to the percentage of the physical appearance of the project. The Company assesses that this method provides a faithful depiction of the transfer of services.

The customer pays the fixed amount based on an agreed payment schedule. If the services rendered by Company exceed the payment, a contract asset is recognized. If the payments exceed the services rendered, a contract liability is recognized.

(b) Construction contracts

When the outcome of a ship building construction contract can be estimated reliably, revenue and costs are recognized by reference to the stage of completion of the contract activity at the end of each reporting period.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.
The measure of progress is determined using milestones as computed by the Company's project engineers. Any effect of a change in the estimate of contract revenue or contract costs, or the effect of a change in the estimate of the outcome of a contract, is accounted for as a change in accounting estimate.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized to the extent of recoverable contract costs incurred. Contract costs represent accumulated costs of a construction contract. Contract costs include those directly attributable to the construction of the projects such as direct labor, subcontract and staff, direct materials and supplies and overheads. Contract costs are recognized as expenses in the period in which they are incurred. When it is probable that total contract costs will exceed total contract revenue; the expected loss is recognized as an expense immediately.

(c) Interest income

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time proportion basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

(d) Dividend income

Dividend income from investments is recognized when the shareholders' rights to receive payment have been established, provided that it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably.

(e) Rental income

The Company determines at lease inception whether each lease is a finance lease or an operating lease. Leases where the Company does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating lease. Operating lease payments received are recognized as an income on a straight-line basis over the lease term except for variable rent which is recognized when earned.

(f) Other income

Other income is income generated outside the normal course of business and are recognized when it is probable that the economic benefits will flow to the Company and it can be measured reliably.

(g) Cost and operating expenses

Cost and operating expenses are recognized when incurred. Interest is recognized based on effective interest method.

24.20 Leases

Assets and liabilities arising from a lease are initially measured on a present value basis. The interest expense is recognized in the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

(a) Measurement of lease liabilities

Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for the Company's leases, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the 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).

Lease payments are allocated between principal and interest expense. The interest expense is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

(b) Measurement of right-of-use assets

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

(c) Extension and termination options

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The lease term is reassessed if an option is actually exercised (or not exercised) or the Company becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is revised only if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

(d) Short-term leases and leases of low-value assets

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in the profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

24.21 Foreign currency transactions and translations

(a) Functional and presentation currency

Items included in the financial statement of the Company are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The financial statements are presented in Philippine Peso, which is the functional and presentation currency of the Company.

(b) Transactions and balances

Foreign currency transactions are translated into Philippine Peso using the exchange rates prevailing at the dates of the transactions. Outstanding foreign currency denominated monetary assets and liabilities are translated at the exchange rate prevailing at reporting date. 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 the statement of total comprehensive income through profit or loss.

24.22 Related party relationships and transactions

Related party relationships exist when one party has the ability to control, directly, or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting enterprise, or between, and/or among the reporting enterprise and its key management personnel, directors, or its shareholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

Related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party regardless of whether a price is charged.

24.23 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of a non-financial asset is measured based on its highest and best use. The asset's current use is presumed to be its highest and best use. The fair value of financial and non-financial liabilities takes into account non-performance risk, which is the risk that the entity will not fulfill an obligation.

The Company classifies its fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The appropriate level is determined on the basis of the lowest level input that is significant to the fair value measurement.

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in Level 1. The listed financial assets at FVOCI financial assets are classified under Level 1 category.

The fair value of assets and liabilities that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the asset or liability is included in Level 2. The Company's unlisted shares of stock of related parties are included in Level 2 (Note 10). If one or more of the significant inputs is not based on observable market data, the asset or liability is included in Level 3.

As at December 31, 2022 and 2021, the Company does not hold financial and non-financial assets and liabilities at fair value, except for listed and non-listed securities recognized as financial assets at FVOCI which are measured at fair value and classified under Levels 1 and 2, respectively.

24.24 Events after the reporting date

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

24.25 Reclassification

During the year, the Company reclassified the provision for doubtful accounts for the year ended December 31, 2021 amounting to P5,119,972 previously recognized under operating expenses to a separate line item in the statements of total comprehensive income to conform with the current year presentation since the amount of provision for doubtful accounts during 2022 is material to the financial statements.

The reclassification did not impact previously reported net income, retained earnings, equity and cash flows.

Note 25 - Supplementary information required by BIR

The following supplementary information required by Revenue Regulations No. 15-2010 is presented for purposes of filing with the BIR and is not a required part of the basic financial statements.

(a) Output value-added tax (VAT)

Details of the Company's output VAT declared in 2022 are as follows:

	Gross receipts	Output VAT
Subject to 12% VAT		
Sale of services	673,043,235	72,111,775
Zero rated		
Sale of services	26,930,608	-
Exempt		
Sale of services	521,273,093	-
Total	1,221,246,936	72,111,775

The gross revenues subject to 12% VAT shown above are based on gross receipts of the Company for VAT purposes while gross revenues in the statements of total comprehensive income are measured in accordance with the policy in Note 24.5.

(b) Input VAT

Movements in input VAT for the period for the year ended December 31, 2022 are as follows:

	Amount
January 1	489,913
Current year's domestic purchases/payments for services	5,515,081
Total available input VAT	6,004,994
Input VAT claimed	(5,192,597)
December 31	812,397

(c) Importations

Custom duties and taxes paid and accrued amounted to P1,081,409 for the year ended December 31, 2022.

(d) Excise tax

The Company had no transactions subject to excise taxes for the year ended December 31, 2022.

(e) Documentary stamp tax

Documentary stamp tax paid amounting to P3,197,654 for the year ended December 31, 2022 pertains to loan agreements and were presented as part of taxes and licenses under operating expenses in the statements of total comprehensive income.

(f) All other local and national taxes

All other local and national taxes paid and accrued for the year ended December 31, 2022 consist of:

	Amount
PEZA fees	2,646,095
Registration and filing fees	1,016,309
Permits and other licenses	210,332
Computerized accounting system fees	80,000
Residence certificates	13,846
Annual registration fee	500
Others	265,326
	4,232,408

The local and national taxes are recognized as part of taxes and licenses account under operating expenses in the statements of total comprehensive income (Note 19). As PEZA-registered entity, Company applied exemption from national and local taxes as one of its incentives.

(g) Withholding taxes

Withholding taxes paid and accrued for the year ended December 31, 2022 consist of:

	Accrued	Paid	Total
Withholding tax on compensation	2,910,749	13,363,470	16,274,219
Expanded withholding tax	505,356	5,531,156	6,036,512
Final withholding tax	-	1,610,848	1,610,848
	3,416,105	20,505,474	23,921,579

(h) Tax assessments and cases

There are no outstanding tax assessments and cases under preliminary investigation, litigation and/or prosecution in courts or bodies outside the BIR as at December 31, 2022.

Keppel Philippines Marine, Inc.

Reconciliation of Retained Earnings Available for Dividend Declaration
As at December 31, 2022
(All amounts in Philippine Peso)

Unappropriated retained earnings available for dividend distribution, beginning		2,694,131,245
Adjustments:		(49,882,114)
Unappropriated retained earnings available for dividend distribution, as adjusted, beginning		2,644,249,131
Add: Net income actually earned/realized during the year		
Net income during the period closed to retained earnings	73,671,439	
Less: Non-actual/unrealized income net of tax		
Equity in net income of associate/joint venture	-	
Unrealized foreign exchange gain - net (except those attributable to cash and cash equivalents)	(21,528,645)	
Unrealized actuarial gain	-	
Fair value adjustment (mark-to-market gains)	-	
Fair value adjustment of investment property resulting to gain	-	
Adjustment due to deviation from PFRS/GAAP-gain	-	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under PFRS	-	
	52,142,794	
Add: Non-actual losses		
Depreciation on revaluation increment (after tax)	-	
Unrealized foreign exchange loss - net except (Cash and cash equivalents)	-	
Adjustment due to deviation from PFRS/GAAP - loss	-	
Unrealized fair value adjustment (mark-to-market loss)	-	
Loss on fair value adjustment of investment property (after tax)	-	
Subtotal	-	
Net income actually earned during the year		52,142,794
Add (Less):		
Dividend declarations during the period	(4,990,900)	
Appropriations of retained earnings during the period	(110,000,000)	
Reversals of appropriations	110,000,000	
Effects of PAS 19R adoption	-	
Treasury shares	(1,878,559)	(6,869,459)
Total retained earnings available for dividend distribution, ending		2,689,522,466