

Panasonic Manufacturing Philippines Corporation
Ortigas Avenue Extension, Taytay, Rizal, 1920 Philippines

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Panasonic Manufacturing Philippines Corporation and its Subsidiary** (the "Group") is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended March 31, 2021, 2020 and 2019, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

SyCip Gorres Velayo & Co, the independent auditor appointed by the stockholders, has audited the consolidated financial statements of the Company in accordance with Philippine Standards on Auditing, and its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

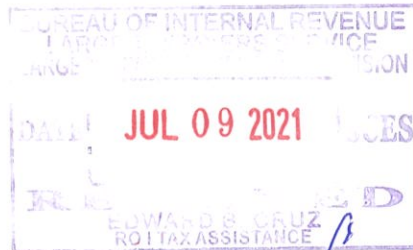
Signed under oath by the following:



MASATOSHI SASAKI
Chairman & President


YOSHIYUKI TAKAHASHI
Vice – Chairman & Executive Director


HIROSHI YAMADA
Executive Director

Signed on this 18th day of June, 2021




ATTY. CONCEPCION P. VILLARENA
Notary Public for Quezon City
Until December 31, 2021
PTR No. 0683154 / 14-2021/ QC
IBP No. 093587 / 10-27-2019/ QC
Roll No. 30457 / 05-09-80
MCLE VI-0030379 / 2-21-2020
Adm. Matter No. NP-001(2020-2021)
TIN NO. 131-942-754

SUBSCRIBED AND SWORN to before me this 22 JUN 2021
affiants exhibiting to me their passport numbers as follows:

NAMES	PASSPORT NO.	DATE ISSUED	PLACE ISSUED
Masatoshi Sasaki	TS1137403	July 04, 2018	Japan
Yoshiyuki Takahashi	TZ1094063	December 15, 2015	Japan
Hiroshi Yamada	TZ1164469	November 08, 2016	Japan

Doc. No. 269
Page No. 11
Book No. 83
Series of 2021

NOTARY PUBLIC

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for AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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COMPANY NAME

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P	I	N	E	S	C	O	R	P	O	R	A	T	I	O	N	A	N	D	S	U	B	S	I	D	I	A	
R	Y																										

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

O	r	t	i	g	a	s	A	v	e	n	u	e	E	x	t	e	n	s	i	o	n	,	B	a	r	r
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Form Type

A	F	S
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Department requiring the report

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Secondary License Type, If Applicable

N	/	A
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COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
www.panasonic.com/ph	635-2260 to 65	N/A
No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
460	July 16	March 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
Ms. Julieta Beltran	julieta.beltran@ph.panasonic.com	635-2260 to 65	(+63) 917 584 4500

CONTACT PERSON'S ADDRESS

Ortigas Avenue Extension, Taytay, Rizal

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

The Stockholders and the Board of Directors
Panasonic Manufacturing Philippines Corporation
Ortigas Avenue Extension
Taytay, Rizal

Opinion

We have audited the consolidated financial statements of Panasonic Manufacturing Philippines Corporation and its Subsidiary (the Group), which comprise the consolidated statements of financial position as at March 31, 2021 and 2020, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended March 31, 2021, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended March 31, 2021 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

Key Audit Matters

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

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



Provision for estimated liabilities

The Group, in the ordinary course of its business, recognizes provision for estimated liabilities related to expected warranty claims from products sold and other estimated liabilities. This matter is significant to our audit because the determination of whether the provision should be recognized and the estimation of the potential liability resulting from these assessments require significant estimate and judgment by management. The estimate of the provision for warranty claims requires an analysis of past experience on the level of repairs and returns. The inherent uncertainty over the outcome of the matters related to other estimated liabilities is brought about by the differences in the interpretation and implementation of the relevant laws and regulations.

The relevant accounting policy and discussion of significant judgments and estimates for provisions are included in Notes 2 and 3 to the consolidated financial statements. The amount of provisions recognized is disclosed in Note 11 to the consolidated financial statements.

Audit response

We reviewed the underlying data used in the estimate for warranty claims by comparing the level of repairs and returns across various product lines applied in the calculation against documents supporting the actual claims such as completed service invoices and service reports from accredited service centers. We tested the mathematical accuracy of management's calculation of warranty claims. We also involved our internal specialist in the evaluation of management's assessment on whether any provision for contingencies should be recognized for the other estimated liabilities, and the estimation of such amount. We discussed with management the status of the claims and obtained correspondences with the regulatory authorities and opinions from the external legal counsel. We evaluated the position of the Group by considering the relevant laws, rulings and jurisprudence applicable to the Group.

Other Information

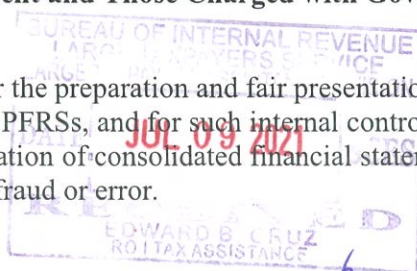
Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended March 31, 2021, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended March 31, 2021 are expected to be made available to us after the date of this auditor's report.

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

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

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

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



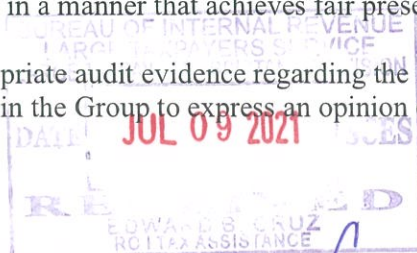
In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements.



- We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Juan Carlo B Maminta.

SYCIP GORRES VELAYO & CO.

Juan Carlo Maminta

Juan Carlo B. Maminta

Partner

CPA Certificate No. 115260

Accreditation No. 115260-SEC (Group A)

Valid to cover audit of 2020 to 2024

financial statements of SEC covered institutions

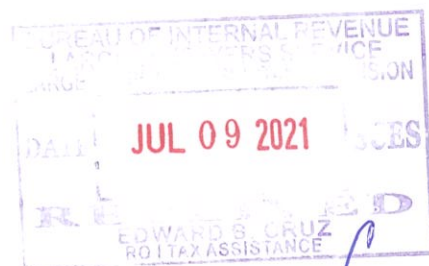
Tax Identification No. 210-320-399

BIR Accreditation No. 08-001998-132-2020,

November 27, 2020, valid until November 26, 2023

PTR No. 8534323, January 4, 2021, Makati City

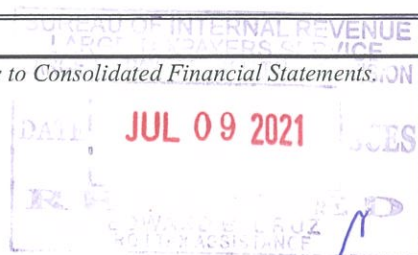
June 9, 2021



**PANASONIC MANUFACTURING PHILIPPINES
CORPORATION AND SUBSIDIARY**
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	March 31	
	2021	2020
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	₱3,743,228,585	₱2,945,349,793
Receivables (Note 5)	1,476,638,862	1,440,042,700
Inventories (Note 6)	1,741,171,787	1,654,053,222
Other current assets (Note 9)	142,543,607	91,857,986
Total Current Assets	7,103,582,841	6,131,303,701
Noncurrent Assets		
Property, plant and equipment (Note 7)	984,691,769	1,083,329,310
Deferred tax assets - net (Note 23)	127,188,623	168,745,041
Other noncurrent assets (Note 9)	22,430,182	25,590,201
Total Noncurrent Assets	1,134,310,574	1,277,664,552
	₱8,237,893,415	₱7,408,968,253
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Note 10)	₱2,889,647,033	₱2,365,479,331
Lease liabilities - current portion (Note 8)	4,361,116	8,986,996
Other current liabilities (Note 11)	76,686,265	79,472,587
Total Current Liabilities	2,970,694,414	2,453,938,914
Noncurrent Liabilities		
Retirement liability (Note 11)	122,445,262	122,592,066
Lease liabilities - net of current portion (Note 8)	7,283,845	1,721,796
Other noncurrent liabilities (Note 11)	335,208,985	345,463,836
Total Noncurrent Liabilities	464,938,092	469,777,698
	3,435,632,506	2,923,716,612
Equity		
Equity Attributable to Equity Holders of the Parent Company		
Capital stock (Note 12)	422,718,020	422,718,020
Additional paid-in capital (Note 12)	4,779,762	4,779,762
Other comprehensive loss (Notes 9 and 12)	(124,187,388)	(146,240,284)
Retained earnings (Note 13)		
Appropriated	3,842,400,000	3,792,400,000
Unappropriated	583,016,225	338,835,931
	4,728,726,619	4,412,493,429
Non-controlling Interest	73,534,290	72,758,212
Total Equity	4,802,260,909	4,485,251,641
	₱8,237,893,415	₱7,408,968,253

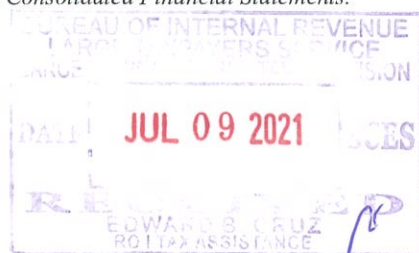
See accompanying Notes to Consolidated Financial Statements.



**PANASONIC MANUFACTURING PHILIPPINES
CORPORATION AND SUBSIDIARY**
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended March 31		
	2021	2020	2019
NET SALES (Note 26)	₱10,883,095,262	₱11,906,948,322	₱11,520,813,753
COST OF GOODS SOLD (Notes 14 and 26)	(8,316,813,759)	(9,508,271,446)	(9,267,009,913)
GROSS PROFIT	2,566,281,503	2,398,676,876	2,253,803,840
SELLING EXPENSES (Notes 15 and 26)	(1,204,276,357)	(1,265,826,533)	(983,828,140)
GENERAL AND ADMINISTRATIVE EXPENSES (Notes 16 and 26)	(950,374,726)	(1,045,314,839)	(1,103,257,249)
OTHER INCOME - net (Notes 20 and 26)	67,019,396	152,519,987	107,872,735
INCOME BEFORE INCOME TAX	478,649,816	240,055,491	274,591,186
PROVISION FOR INCOME TAX (Note 23)	(120,634,224)	(113,599,271)	(126,070,051)
NET INCOME	358,015,592	126,456,220	148,521,135
OTHER COMPREHENSIVE INCOME (LOSS)			
Items that may not be reclassified to profit or loss			
Remeasurement gain (loss) on the net defined benefit liability, net of tax (Note 11)	21,979,420	(62,111,145)	(68,747,698)
Unrealized gain (loss) on financial assets at fair value through other comprehensive income (Note 9)	73,476	(3,199,545)	2,444,125
TOTAL COMPREHENSIVE INCOME	₱380,068,488	₱61,145,530	₱82,217,562
Net income attributable to:			
Equity holders of the Parent Company (Note 25)	₱357,239,514	₱126,066,914	₱148,144,539
Non-controlling interest	776,078	389,306	376,596
	₱358,015,592	₱126,456,220	₱148,521,135
Total comprehensive income attributable to:			
Equity holders of the Parent Company	₱379,292,410	₱60,756,224	₱81,840,966
Non-controlling interest	776,078	389,306	376,596
	₱380,068,488	₱61,145,530	₱82,217,562
Basic/diluted earnings per share (Note 25)	₱0.85	₱0.30	₱0.35

See accompanying Notes to Consolidated Financial Statements.



PANASONIC MANUFACTURING PHILIPPINES
CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Equity Attributable to Equity Holders of the Parent Company

	Capital Stock (Note 12)	Additional Paid-in Capital (Note 12)	Net Unrealized Gains on Financial Assets at FVOCI (Note 9)	Remeasurement		Appropriated Retained Earnings (Note 13)	Unappropriated Retained Earnings (Note 13)	Non-controlling Interest	Total
				Loss on Retirement Liability (Note 11)	Loss on Retirement Liability (Note 11)				
Balances at April 1, 2020	₱422,718,020	₱4,779,762	₱625,548	(₱146,865,832)	₱3,792,400,000	₱338,835,931	₱4,412,493,429	₱72,758,212	₱4,485,251,641
Total comprehensive income	-	-	73,476	21,979,420	-	357,239,514	379,292,410	776,078	380,068,488
Reversals of appropriation (Note 13)	-	-	-	-	(814,494,110)	814,494,110	-	-	-
Appropriations (Note 13)	-	-	-	-	864,494,110	(864,494,110)	-	-	-
Cash dividends (Note 13)	-	-	-	-	-	(63,059,220)	(63,059,220)	-	(63,059,220)
Balances at March 31, 2021	₱422,718,020	₱4,779,762	₱699,024	(₱124,886,412)	₱3,842,400,000	₱583,016,225	₱4,728,726,619	₱73,534,290	₱4,802,260,909
Balances at April 1, 2019	₱422,718,020	₱4,779,762	₱3,825,093	(₱84,754,687)	₱3,742,400,000	₱351,505,101	₱4,440,473,289	₱72,368,906	₱4,512,842,195
Total comprehensive income	-	-	(3,199,545)	(62,111,145)	-	126,066,914	60,756,224	389,306	61,145,530
Reversals of appropriation (Note 13)	-	-	-	-	(798,825,280)	798,825,280	-	-	-
Appropriations (Note 13)	-	-	-	-	848,825,280	(848,825,280)	-	-	-
Cash dividends (Note 13)	-	-	-	-	-	(88,736,084)	(88,736,084)	-	(88,736,084)
Balances at March 31, 2020	₱422,718,020	₱4,779,762	₱625,548	(₱146,865,832)	₱3,792,400,000	₱338,835,931	₱4,412,493,429	₱72,758,212	₱4,485,251,641
Balances at April 1, 2018	₱422,718,020	₱4,779,762	₱1,380,968	(₱16,006,989)	₱3,692,400,000	₱410,484,850	₱4,515,756,611	₱71,992,310	₱4,587,748,921
Total comprehensive income	-	-	2,444,125	(68,747,698)	-	148,144,539	81,840,966	376,596	82,217,562
Reversals of appropriation (Note 13)	-	-	-	-	(724,620,000)	724,620,000	-	-	-
Appropriations (Note 13)	-	-	-	-	774,620,000	(774,620,000)	-	-	-
Cash dividends (Note 13)	-	-	-	-	-	(157,124,288)	(157,124,288)	-	(157,124,288)
Balances at March 31, 2019	₱422,718,020	₱4,779,762	₱3,825,093	(₱84,754,687)	₱3,742,400,000	₱351,505,101	₱4,440,473,289	₱72,368,906	₱4,512,842,195

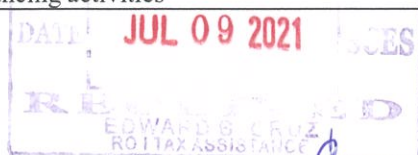
See accompanying Notes to Consolidated Financial Statements.



**PANASONIC MANUFACTURING PHILIPPINES
CORPORATION AND SUBSIDIARY**
CONSOLIDATED STATEMENTS OF CASH FLOWS

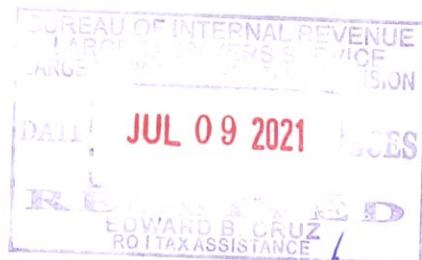
	Years Ended March 31		
	2021	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	₱478,649,816	₱240,055,491	₱274,591,186
Adjustments for:			
Depreciation and amortization (Note 18)	242,680,763	259,286,292	203,400,308
Provision for inventory write-down (Note 14)	157,959,416	107,445,039	79,432,386
Retirement and other long-term employee benefits expense (Notes 11 and 17)	34,962,636	34,946,121	26,874,278
Interest income (Notes 4 and 20)	(32,503,149)	(73,510,148)	(68,853,694)
Provision for warranty claims and estimated liabilities (Note 11)	19,222,356	25,118,992	176,048,662
Provision for (net recovery from) credit and impairment losses (Notes 5, 16 and 20)	7,944,612	(598,229)	526,315
Gain on disposal/retirement of property, plant and equipment and software (Note 20)	(351,723)	-	(154,482)
Unrealized foreign currency exchange (gain) loss (Notes 4, 5 and 10)	(328,560)	4,070,446	(11,837,158)
Interest on lease liability (Notes 8 and 16)	282,553	979,388	-
Operating income before changes in working capital	908,518,720	597,793,392	680,027,801
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Receivables	(45,698,280)	225,651,921	(477,570,556)
Inventories	(245,077,981)	(124,059,527)	(384,350,014)
Other current assets	(50,685,621)	98,611,719	6,964,457
Increase (decrease) in:			
Accounts payable and accrued expenses	516,827,082	(706,818)	188,001,522
Other liabilities	(28,453,068)	278,804	-
Net cash generated from operations	1,055,430,852	797,569,491	13,073,210
Income taxes paid	(82,521,504)	(198,893,173)	(210,090,566)
Interest received from bank deposits (Notes 4 and 20)	33,669,317	75,385,714	70,426,202
Other retirement liability and long-term employee benefits paid (Note 11)	(5,781,869)	(1,954,676)	(11,057,192)
Interest paid on lease liability (Note 8)	(282,553)	(979,388)	-
Contributions to the retirement fund (Note 11)	-	(101,637,974)	-
Net cash provided by (used in) operating activities	1,000,514,243	569,489,994	(137,648,346)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Property, plant and equipment (Notes 7 and 28)	(129,284,699)	(339,762,980)	(253,149,528)
Software (Note 9)	-	(1,458,326)	-
Proceeds from disposal of property, plant and equipment (Note 7)	481,469	360,270	2,786,367
Decrease (increase) in noncurrent other assets (Note 9)	(2,156,760)	(5,452,653)	4,713,210
Net cash used in investing activities	(130,959,990)	(346,313,689)	(245,649,951)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash dividends paid (Notes 13 and 28)	(63,056,242)	(88,733,571)	(157,155,460)
Payment of principal portion of lease liability (Note 28)	(7,691,950)	(14,586,138)	(450,502)
Cash used in financing activities	(70,748,192)	(103,319,709)	(157,605,962)

(Forward)



	Years Ended March 31		
	2021	2020	2019
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS (Note 4)	(₱927,269)	(₱6,016,174)	₱16,333,796
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	797,878,792	113,840,422	(524,570,463)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	2,945,349,793	2,831,509,371	3,356,079,834
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	₱3,743,228,585	₱2,945,349,793	₱2,831,509,371

See accompanying Notes to Consolidated Financial Statements.



**PANASONIC MANUFACTURING PHILIPPINES
CORPORATION AND SUBSIDIARY**
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

Panasonic Manufacturing Philippines Corporation (the Parent Company) was incorporated in the Philippines on May 14, 1963 and is a subsidiary of Panasonic Corporation (PC or the Ultimate Parent Company) which was incorporated in Japan on December 15, 1935. The Securities and Exchange Commission (SEC) approved on March 19, 2013 the extension of Parent Company's corporate life for another 50 years or until May 15, 2063. The Parent Company holds 40.0% interest in Precision Electronics Realty Corporation (PERC or the Subsidiary), over which the Parent Company has the control over the Subsidiary.

On February 20, 2019, Republic Act No. 11232, otherwise known as the "Revised Corporation Code of the Philippines" or "RCC", was signed into law. The RCC took effect on February 23, 2019. The corporate term of a corporation with certificate of incorporation issued prior to the effectivity of the RCC and which continue to exist, shall be deemed perpetual upon the effectivity of the RCC, without any action on the part of the corporation. As of February 23, 2019, the Group is deemed to have selected a perpetual term.

The Parent Company is a manufacturer, importer and distributor of electronic, electrical, mechanical, electro-mechanical appliances, other types of machinery, parts and components, battery and other related products bearing the "Panasonic" brand. The Subsidiary is in the business of realty brokerage and leases out the land to the Parent Company in which the latter's manufacturing facilities are located (see Note 7).

The Parent Company's registered address is Ortigas Avenue Extension, Barrio Mapandan, Barangay San Isidro, Taytay, 1920, Rizal.

2. Summary of Significant Accounting Policies

Basis of Preparation

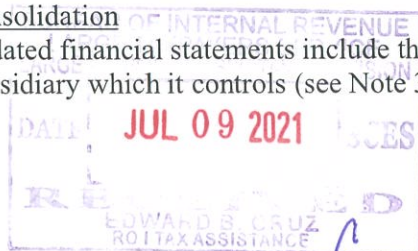
The accompanying consolidated financial statements of the Parent Company and the Subsidiary (collectively referred to as the "Group") have been prepared on a historical cost basis, except for financial assets at fair value through other comprehensive income (FVOCI) that have been measured at fair value and inventories that have been measured at lower of cost or net realizable value (NRV). The accompanying consolidated financial statements are presented in Philippine peso (₱), which is also the Parent Company's functional currency. The functional currency of PERC is also the Philippine peso. All values were rounded to the nearest peso except when otherwise indicated.

Statement of Compliance

The accompanying consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs).

Basis of Consolidation

The consolidated financial statements include the financial statements of the Parent Company and PERC, a subsidiary which it controls (see Note 3).



Control is achieved when the Parent Company is exposed, or has rights, to variable returns from its involvement with the Subsidiary and has the ability to affect those returns through its power over the Subsidiary.

The Parent Company controls an investee if, and only if the Parent Company has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

When the Parent Company has less than a majority of the voting or similar rights of an investee, the Parent Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Parent Company's voting rights and potential voting rights

The Parent Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Parent Company obtains control over the subsidiary and ceases when the Parent Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Parent Company gains control until the date the Parent Company ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of its Subsidiary to bring the accounting policies used in line with those used of the Group.

All intragroup transactions, balances, income and expenses are eliminated in the consolidation.

Non-controlling interests are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from Parent Company shareholders' equity. The interest of non-controlling shareholders may be initially measured at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, non-controlling interests consists of the amount attributed to such interests at initial recognition and the non-controlling interest's share of changes in equity since the date of acquisition.

Changes in the Parent Company's interest in a subsidiary that do not result in a loss of control are accounted for as equity transaction. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the Parent Company.

If the Parent Company loses control over a subsidiary, it:

- derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- derecognizes the carrying amount of any non-controlling interest;



- derecognizes the related other comprehensive income recorded in equity and recycles the same to profit or loss or retained earnings;
- recognizes the fair value of the consideration received;
- recognizes the fair value of any investment retained; and
- recognizes any surplus or deficit in profit or loss in the consolidated statement of comprehensive income.

The consolidated financial statements include the financial statements of the Parent Company and PERC. The summarized financial information of PERC is provided below. The information is based on amounts before intercompany eliminations.

	2021	2020
<i>Summarized financial position information</i>		
Total current assets	₱43,852,062	₱45,808,470
Total noncurrent assets	233,177,867	233,177,867
Total current liabilities	482,598	3,732,469
Total noncurrent liabilities	153,990,175	153,990,175
Total equity	₱122,557,156	₱121,263,693
<i>Summarized comprehensive income information</i>		
Revenues	₱29,178,623	₱29,716,169
Cost and expenses – net	27,512,284	28,504,262
Income before income tax	1,666,339	1,211,907
Provision for income tax	372,876	563,063
Total comprehensive income	₱1,293,463	₱648,844
<i>Summarized cash flow information</i>		
Operating	(₱4,945,981)	₱2,255,855
Net increase (decrease) in cash and cash equivalents	(₱4,945,981)	₱2,255,855

Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective as at April 1, 2020. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Unless otherwise indicated, adoption of these new standards did not have an impact on the consolidated financial statements of the Group.

- Amendments to PFRS 3, *Business Combinations - Definition of a Business*
- Amendments to PFRS 7, *Financial Instruments: Disclosures* and PFRS 9, *Financial Instruments, Interest Rate Benchmark Reform*
- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material*
- Conceptual Framework for Financial Reporting issued on March 29, 2018
- Amendments to PFRS 16, *Leases, COVID-19-related Rent Concessions*



Fair Value Measurement

For measurement and disclosure purposes, the Group determines the fair value of an asset or a liability at initial measurement date or each reporting date. 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 measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfer have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Cash and Cash Equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash in banks and time deposits with original maturities of three months or less and are subject to an insignificant risk of change in value. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and time deposits as defined above.

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.



Date of recognition

The Group recognizes a financial asset or a financial liability in the statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial instruments that require delivery of assets and liabilities within the time frame established by regulation or convention in the marketplace are recognized on the trade date.

Initial recognition of financial instruments

Financial instruments are initially recognized at fair value of the consideration given. The initial measurement of financial instruments includes transaction costs, except for financial instruments at financial assets at fair value through profit and loss (FVTPL).

As of March 31, 2021 and 2020, the Group only has financial assets and financial liabilities at amortized cost and financial assets at FVOCI.

'Day 1' difference

Where the transaction price in a non-active market is different to the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a 'Day 1' difference) in the profit or loss in the statement of comprehensive income unless it qualifies for recognition as some other type of asset. In cases where transaction price used is made of data which is not observable, the difference between the transaction price and model value is only recognized in the profit or loss in the statement of comprehensive income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the 'Day 1' difference amount.

In 2021, 2020 and 2019, there were no 'Day 1' differences recognized in the profit or loss in the consolidated statement of comprehensive income.

a) Financial assets

Classification and measurement

Financial assets are classified at fair value at initial recognition and subsequently measured at amortized cost, FVOCI, and FVTPL.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under PFRS 15.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are solely for principal and interest (SPPI) on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. 'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount). In making this assessment, the Group determines whether the contractual cash flows are consistent with a basic lending arrangement, i.e., interest includes consideration only for the time value of money, credit risk and other basic lending risks and costs associated with holding the financial asset for a particular period of time. In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual



cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- How managers, if any, of the business are compensated.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at FVTPL

The financial assets of the Group as of March 31, 2021 and 2020 consist of financial assets at amortized cost and financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments).

Financial assets at amortized cost (debt instruments)

The Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Group's financial assets at amortized cost include cash and cash equivalents and receivables.



Financial assets designated at FVOCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at FVOCI when they meet the definition of equity under PAS 32, *Financial Instruments: Presentation*, and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the consolidated statements of income when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at FVOCI are not subject to impairment assessment.

The Group elected to classify irrevocably its investments in unquoted equity instruments under this category.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognizes an allowance for ECLs for all debt instruments not held at FVTPL. ECL represents credit losses that reflect an unbiased and probability-weighted amount which is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime ECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12-month ECL. The 12-month ECL is the portion of lifetime ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date. Lifetime ECL are credit losses that results from all possible default events over the expected life of a financial instrument.



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

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

For cash and cash equivalents and short-term investments, the Group applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk origination, the allowance will be based on the lifetime ECL. The Group uses the ratings from reputable credit rating agencies to determine whether the debt instrument has SICR and to estimate ECLs.

The key inputs in the model include the Group's definition of default and historical data of three years for the origination, maturity date and default date. The Group considers trade receivables and contract assets in default when contractual payment are 90 days past due, except for certain circumstances when the reason for being past due is due to reconciliation with customers of payment records which are administrative in nature which may extend the definition of default. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

Determining the stage for impairment

At each reporting date, the Group assesses whether there has been a SICR for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis.

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed SICR since origination, then the loss allowance measurement reverts from lifetime ECL to 12-months ECL.

b) Financial liabilities

Initial recognition and measurement

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

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



Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at FVTPL

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

Gains or losses on liabilities held for trading are recognized in the consolidated statements of income.

Financial liabilities designated upon initial recognition at FVTPL are designated at the initial date of recognition, and only if the criteria in PFRS 9 are satisfied.

The Group does not have financial liabilities at FVTPL as of March 31, 2021 and 2020.

Other financial liabilities

This category pertains to financial liabilities that are not held for trading or not designated as at FVTPL upon the inception of the liability. These include liabilities arising from operations and borrowings.

After initial measurement, other financial liabilities are measured at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on the acquisition and fees or costs that are an integral part of the EIR. Gains and losses are recognized in profit or loss when other financial liabilities are derecognized, as well as through the EIR amortization process.

This category applies to the Group's accounts payable and accrued expenses (excluding statutory and taxes payables).

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in profit or loss.

c) *Offsetting of financial instruments*

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statements of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

Inventories

Inventories are valued at the lower of cost or NRV. NRV is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale. Cost is determined primarily using the first-in, first-out method, except for spare parts and supplies, which are determined on a weighted average method. For manufactured inventories, cost includes the applicable allocation of fixed and variable overhead costs.



Creditable Withholding Tax

This pertains to the tax withheld at source by the Group's customers and is creditable against the income tax liability of the Group.

Property, Plant and Equipment

Property, plant and equipment, except land, are carried at cost less accumulated depreciation, amortization and any impairment in value except land which is carried at cost less any impairment in value. The initial cost of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Significant renewals and improvements are capitalized.

Expenditures incurred after the properties have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to income in the year the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property, plant and equipment.

Depreciation and amortization is computed using the straight-line method on land improvements and buildings and improvements over their estimated useful lives and the declining balance method on other property, plant and equipment.

The estimated useful lives of property, plant and equipment are as follows:

	Years
Land improvements	10
Factory machinery, equipment and tools	2-10
Buildings and improvements	5-25
Office furniture, fixtures and equipment	2-5
Transportation equipment	3-5

The useful life and depreciation and amortization methods are reviewed at each reporting date to ensure that the period and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

When assets are sold or retired, their cost and accumulated depreciation and amortization and any accumulated impairment losses are eliminated from the accounts and any gain or loss resulting from their disposal is included in profit or loss.

Fully depreciated property, plant and equipment are retained in the accounts until these are no longer in use.

Software

Software acquired separately is measured on initial recognition at cost. Following initial recognition, software is carried at cost less any accumulated amortization and any accumulated impairment losses.

Amortization of software is computed using the declining balance method over its estimated useful life of 2 to 5 years. The estimated useful life and amortization method for software are reviewed at least at each financial year end to ensure that the period and method of amortization are consistent with the expected pattern of economic benefits from these assets.



The amortization expense on software is recognized in profit or loss under general and administrative expenses. Software is assessed for impairment whenever there is an indication that this asset may be impaired.

Impairment of Nonfinancial Assets

At each reporting date, the Group assesses whether there is any indication that its nonfinancial assets (e.g., property, plant and equipment, investment properties, software, creditable withholding taxes and value-added tax) may be impaired.

Where there is an indication of impairment, the Group makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

A previously recognized impairment loss is reversed by a credit to current operations, unless the asset is carried at a revalued amount, in which case, the reversal of the impairment loss is credited to the revaluation increment of the same asset, to the extent that it does not restate the asset to a carrying amount in excess of what would have been determined (net of any accumulated depreciation and amortization) had no impairment loss been recognized for the asset in prior years.

Leases

The Group determines at contract inception whether a contract is, or contains, a lease by assessing whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Parent Company as a lessee

The Parent Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Parent Company recognizes right-of-use assets representing the right to use the underlying assets and lease liabilities to make lease payments.

i. Right-of-use assets

The Parent Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Parent Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Depreciation of right-of-use assets is presented under 'Depreciation and amortization' in Cost of Goods Sold (Note 14) and General and Administrative Expenses (Note 16).

The Group presents the right-of-use assets in 'Property, plant and equipment' and subjects it to impairment. Refer to the accounting policies in section *Impairment of non-financial assets*.



ii. Lease liability

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

In calculating the present value of lease payments, the Parent Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset. The accretion is presented as 'Interest expense' (Note 16) in the Parent Company's statement of comprehensive income.

iii. Short-term leases and leases of low-value assets

The Parent Company applies the short-term lease recognition exemption to its short-term leases of office spaces (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the leases of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below ₱250,000). Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Subsidiary as a lessor

The Subsidiary classifies a lease as finance lease if it transfers substantially all the risks and rewards incidental to ownership of asset arising from the lease. Leases where the Subsidiary does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an income in profit or loss on a straight-line basis over the lease term. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income.

Business Combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are recognized in profit or loss.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree. The measurement period is the period from the date of acquisition to the date the Group receives complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum period of one year.



If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration, which is deemed to be an asset or liability, will be recognized in accordance with PFRS 9 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (CGU) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquired are assigned to those units.

Where goodwill forms part of a CGU and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

Equity

Capital stock is measured at par value for all shares issued and outstanding. When the shares are sold at premium, the difference between the proceeds and the par value is credited to 'Additional paid-in capital' account. Direct costs incurred related to equity issuance, such as underwriting, accounting and legal fees, printing costs and taxes are chargeable to 'Additional paid-in capital' account. If additional paid-in capital is not sufficient, the excess is charged against the retained earnings.

When the Group issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued.

Retained earnings represent accumulated earnings of the Group less any dividends declared.

Revenue Recognition

To account for the revenues arising from contracts with customers, the Group applies the following five step model:

- a. Identify the contract(s) with a customer
- b. Identify the performance obligations in the contract
- c. Determine the transaction price
- d. Allocate the transaction price to the performance obligations in the contract
- e. Recognize revenue when (or as) the entity satisfies a performance obligation.

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has concluded that it is the principal in its revenue arrangements because it controls the goods or services before transferring them to the customer.



The following specific recognition criteria must also be met before revenue and other income are recognized:

Revenue within the scope of PFRS 15:

Sale of goods and services

Revenue from sale of goods is recognized at a point in time upon transfer of control to the buyer, usually upon delivery of goods.

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price for the sale of goods and services, the Group considers the effects of variable consideration, the existence of significant financing components, noncash consideration, and consideration payable to the customer, if any.

Sale of scrap and gain (loss) on sale of property, plant and equipment

Revenue from sale of scrap is recognized upon delivery, when the control has passed to the buyer and the amount of revenue can be measured reliably.

Service income

Service income is earned from rendering services in the form of general advice and assistance fees to related parties.

Other income

Other income is recognized in the profit or loss as it accrues when there is reasonable degree of certainty as to its collectivity. It includes foreign currency exchange gain, refund for damaged goods in cargo, administration fees, insurance claims and gain on pre-termination of lease.

Revenue outside the scope of PFRS 15:

Interest income

Interest income is recognized as interest accrues, taking into account the effective yield on the assets.

Dividend income

Dividend income is recognized when the Group's right to receive the payment is established, which is generally when shareholders approve the dividend.

Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms.

Costs and Expenses

Costs and expenses encompass losses as well as those expenses that arise in the course of the ordinary activities of the Group. Cost and expenses are recognized as incurred. The following specific recognition criteria must be met before costs and expenses are recognized:

Cost of goods sold

Cost of goods sold includes all expenses associated with the specific sale of goods. Cost of goods sold include all materials and supplies used, direct labor, occupancy cost, depreciation of production equipment and other expenses related to production. Such costs are recognized when the related sales have been recognized.



Selling expenses

Selling expenses constitute costs which are directly related to selling, advertising and delivery of goods to customers. These include sales commissions and marketing expenses. Selling expenses are recognized when incurred.

General and administrative expenses

General and administrative expenses constitute costs of administering the business and are recognized when incurred.

Dividends on Common Shares

Dividends on common shares are recognized as a liability and deducted from equity when declared and approved by the Board of Directors (BOD) of the Parent Company. Dividends for the year that are declared and approved after the consolidated statement of financial position date, if any, are dealt with as an event after the financial reporting date and disclosed accordingly.

Earnings Per Share (EPS)

Basic EPS is computed by dividing net income for the year attributable to ordinary equity holders of the parent by the weighted average number of common shares issued and outstanding during the year, after giving retroactive adjustment to any stock dividend declared or stock split made during the year.

Diluted EPS is calculated by dividing the net income attributable to common shareholders by the weighted average number of common shares outstanding during the year adjusted for the effects of any dilutive convertible common shares.

The Group has no dilutive convertible common shares. Thus, basic and diluted EPS are the same.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use are capitalized. All other borrowing costs are recognized as expense in the year which they are incurred.

Retirement Costs

The Parent Company operates a funded noncontributory defined benefit retirement plan, which requires contributions to be made to a separate administered fund.

The cost of providing benefits under the defined benefit pension plan is determined by an independent actuary using the projected unit credit method. Under this method, the current service cost is the present value of retirement benefits payable in the future with respect to services rendered in the current period.

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

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



Retirement expenses comprise the following:

- Current service cost
- Net interest on the net defined benefit liability or asset
- Remeasurement of retirement liability

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

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

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

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Parent Company, nor can they be paid directly to the Parent Company. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Parent Company's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Termination benefit

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

A liability and expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employee benefit, as either post-employment benefits, short-term employee benefits, or other long-term employee benefits.



Employee leave entitlement

Employee entitlements to annual leave are recognized as a liability and expense when they are accrued to the employees. The cost of employee entitlements to annual leave is actuarially computed using the projected unit credit method.

Income Taxes

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The rates and tax laws used to compute the amount are those that have been enacted or substantially enacted as of the reporting date.

The Company periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretations and establishes provisions where appropriate.

Deferred tax

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

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

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits from excess minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and unused net operating losses carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carryforward of unused tax credits from excess credits and unexpired NOLCO can be utilized, except:

- when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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



Deferred tax assets and liabilities are measured at the tax rate that is expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantially enacted as of the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss in the consolidated statement of comprehensive income. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognized subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognized in profit or loss.

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Foreign Currency-denominated Transactions and Translation

Foreign currency-denominated transactions are recorded using the exchange rate at the date of transaction. Foreign currency-denominated monetary assets and liabilities are translated using the prevailing closing exchange rate at reporting date. Exchange gains or losses from foreign currency-denominated transactions and translation are credited or charged to profit or loss.

Operating Segment

Operating segments for management reporting purposes are organized into three major segments according to the nature and user of the products. Common income and expenses are allocated among business segments based on sales or other appropriate bases. Segment assets include operating assets used by a segment and consist principally of operating cash, receivables, inventories and property, plant and equipment, net of allowances, provisions and depreciation and amortization. Segment liabilities include all operating liabilities and consist principally of accounts payable and accrued liabilities. Information on business segments is presented in Note 26.

Provisions

Provisions are recognized when the following conditions are present: (a) the Group has a present obligation (legal or constructive) as a result of a past event; (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense in profit or loss in the consolidated statement of comprehensive income. Where the Group expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is probable.



Provision for estimated liabilities

Provision for estimated liabilities consists of provision for warranty claims and other liabilities. Provision for warranty claims is recognized for expected warranty claims on products sold, based on past experience in the level of repairs and returns. Provision for other liabilities is recognized when all of the conditions mentioned above are present.

Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed when an inflow of economic benefits is probable.

Events after the Reporting Period

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

Standards Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Company does not expect that the future adoption of the said pronouncements will have a significant impact on its financial statements. The Company intends to adopt the following pronouncements when they become effective.

Effective in fiscal year 2021

- Amendments to PFRS 9, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*

Effective beginning on or after January 1, 2022

- Amendments to PFRS 3, *Reference to the Conceptual Framework*
- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*
- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*
- *Annual Improvements to PFRSs 2018-2020 Cycle*
 - Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*
 - Amendments to PFRS 9, *Financial Instruments, Fees in the '10 per cent' test for derecognition of financial liabilities*
 - Amendments to PAS 41, *Agriculture, Taxation in fair value measurement*

Effective beginning on or after January 1, 2023

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*
- PFRS 17, *Insurance Contracts*

Deferred effectivity

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



3. Significant Accounting Judgments, Assumptions and Estimates

The preparation of the consolidated financial statements in compliance with PFRS requires the Group to make judgments, estimates and assumptions that affect reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities. Future events may occur which can cause the assumptions used in arriving at those estimates to change. The effects of any changes in estimates will be reflected in the consolidated financial statements as they become reasonably determinable.

Judgments, assumptions and estimates 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.

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements:

a. Revenue recognition on sale of goods and services

Revenue recognition under PFRS 15 involves the application of significant judgment and estimation in the: (i) identification of the performance obligations; (ii) accounting for consideration paid or payable to customer; and (iii) determination when control is transferred.

(i) Identification of performance obligations

The Group identifies performance obligations by considering whether the promised goods or services in the contract are distinct goods or services. A good or service is distinct when the customer can benefit from the good or service on its own or together with other resources that are readily available to the customer and the Group's promise to transfer the good or service to the customer is separately identifiable from the other promises in the contract.

Based on management assessment, business-to-consumer (B2C) sales have only one performance obligation, while business-to-business (B2B) sales may include one or more performance obligations depending on the satisfaction of the criteria mentioned above.

(ii) Accounting for consideration paid or payable to customer

The Group determines the nature of its consideration paid or payable to customer if it represents purchases by the Group of goods or services offered by the customer, or incentives given by the Group to the customer. Consideration payable to a customer includes cash amounts that the Group pays, or expects to pay, to the customer. The consideration payable to a customer is accounted for as a reduction of the transaction price unless the payment to the customer is in exchange for a distinct good or service that the customer transfers to the entity

(iii) Determination when control is transferred

The Group recognizes its revenue for B2C sales at a point in time, when the goods are sold and delivered and when services are already rendered. The Group may recognize revenue for B2B sales over time if the buyer simultaneously receives and consumes the benefits as the Group performs its obligation, the buyer controls the goods and services as it is created or enhanced, or if the goods and services has no alternative use to the Group and the Group has enforceable right to payment for performance completed to date.



b. Control over PERC

The Group considers that it controls PERC even though it owns less than majority equity interest in PERC. The Parent Company holds a 40.0% equity interest in PERC. The remaining 60.0% of the equity shares in PERC are held by the retirement fund of the Parent Company. The Parent Company determined that it has control over PERC since it has the practical ability to direct the relevant activity of PERC and is exposed to variable returns from PERC. The sole purpose of PERC's establishment and continuing existence is to hold several parcels of land as location for the Parent Company's manufacturing facilities. Thus, the relevant activity of PERC includes the acquisition of parcels of land through funding from the Parent Company and the subsequent lease thereto. The decision to set up the structure of PERC through lease and loan agreements is devised by the Parent Company for it to have location for its facilities since it could not hold more than 40.0% ownership in private lands in the Philippines. The BOD and officers of the Parent Company are also the BOD and officers of PERC.

c. Distinction between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property. In making its judgement, the Group considers whether the property is not occupied substantially for use by, or in operations of the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation. Owner-occupied properties generate cash flows that are attributable not only to the property but also to the other assets used in the production or supply process.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions cannot be sold separately, the property is accounted for as an investment property, only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as an investment property. The Group considers each property separately in making its judgment.

Estimates

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, 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 below.

a. Provisions for estimated liabilities

Provision for estimated liabilities pertain to provision for warranty claims from products sold and other estimated liabilities. The determination of whether the provision should be recognized and the estimation of the potential liability from these assessments requires significant estimate and judgment by management.

The estimate of the provision for warranty claims requires an analysis of past experience on the level of repairs and returns. Other provisions for estimated liabilities include provisions for legal cases and other claims. The Group makes provisions on the basis of management's and its legal counsel's opinion and assessment of the outcome of the claims arising from interpretations and applications of statutes applicable to the Group.

Provisions for estimated liabilities amounted to ₱391.1 million and ₱403.0 million as of March 31, 2021 and 2020, respectively (see Note 11).



b. *NRV of inventory*

Inventories are carried at lower of cost or NRV. NRV of inventories are assessed regularly based on the prevailing selling prices of inventories less the estimated costs necessary to sell and to complete. Any increase in NRV will increase the carrying amount of inventories but only to the extent of their original acquisition costs. The carrying value of inventories as of March 31, 2021 and 2020 amounted to ₱1.7 billion (see Note 6). The amount of provision for inventory write-down included under cost of goods sold amounted to ₱158.0 million, ₱107.4 million and ₱79.4 million in 2021, 2020 and 2019, respectively (see Notes 6 and 14).

c. *Determining method to estimate variable consideration and assessing the constraint*

The Group includes some or all the amounts of variable consideration estimated but only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The Group considers both the likelihood and magnitude of the revenue reversal in evaluating the extent of variable consideration the Group will subject to constraint. Factors such as i) highly susceptibility to factors outside the Group's influence, ii) timing of resolution of the uncertainty, and iii) having a large number and broad range of possible considerations amount are considered.

Some contracts with customers provide prompt payment, volume discount and special discounts that give rise to variable consideration. In estimating the variable consideration, the Group is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled. The expected value method of estimation takes into account a range of possible outcomes while the most likely amount is used when the outcome is binary.

The Group determined that the expected value method is the appropriate method to use in estimating the variable consideration given the large number of customer contracts that have similar characteristics and the range of possible outcomes.

d. *Assessment for ECL on trade receivables*

The Group, applying the simplified approach in the computation of ECL, initially uses a provision matrix based on historical default rates for trade receivables. The provision matrix specifies provision rates depending on the number of days that a trade receivable is past due. The Group also uses appropriate groupings if its historical credit loss experience show significantly different loss patterns for different customer segments. The Group then adjusts the historical credit loss experience with forward-looking information on the basis of current observable data affecting each customer segment to reflect the effects of current and forecasted economic conditions.

The Group adjusts historical default rates to forward-looking default rate by determining the closely related economic factor affecting each customer segment. The Group regularly reviews the methodology and assumptions used for estimating ECL to reduce any differences between estimates and actual credit loss experience.

The determination of the relationship between historical default rates and forecasted economic conditions is a significant accounting estimate. Accordingly, the provision for ECL on trade receivables is sensitive to changes in assumptions about forecasted economic conditions. The Group has assessed that the ECL on trade receivables is not material because substantial amount of receivables are normally collected within one year.



The carrying amount of trade receivables amounted to ₱1.4 billion and ₱1.3 billion as at March 31, 2021 and 2020, respectively (see Note 5).

e. Present value of benefit obligation

The determination of the obligation and cost of retirement and other employee benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include, among others, discount rates, expected returns on plan assets and salary increase rates.

While the Group believes that the assumptions are reasonable and appropriate, significant differences between actual experiences and assumptions may materially affect the cost of employee benefits and related obligations.

The Group's defined benefit plan resulted to a retirement liability amounting to ₱122.4 million and ₱122.6 million as of March 31, 2021 and 2020, respectively (see Note 11).

f. Deferred tax assets

The Group reviews the carrying amounts of deferred tax assets at each reporting date and reduces them to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized based upon the likely timing and the level of future taxable profits together with future tax planning strategies considering expected future market or economic conditions and the expected performance of the Group. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax assets to be recovered.

Recognized deferred tax assets amounted to ₱127.2 million and ₱168.7 million as of March 31, 2021 and 2020, respectively (see Note 23).

g. Leases

Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

The carrying amount of lease liabilities is ₱11.6 million and ₱10.7 million as at March 31, 2021 and 2020, respectively (see Note 8).



4. Cash and Cash Equivalents

This account consists of:

	2021	2020
Cash in banks	₱1,126,220,585	₱634,292,276
Cash equivalents	2,617,008,000	2,311,057,517
	₱3,743,228,585	₱2,945,349,793

Cash in banks earned annual interest ranging from 0.125% to 0.5% and 0.05% to 0.5% in 2021 and 2020, respectively.

Cash equivalents pertain to time deposits made for varying periods with maturity of up to three months depending on the immediate cash requirements of the Group. Interest on cash equivalents ranged from 0.01% to 1.25% in 2021, 0.6% to 2.6% in 2020 and from 0.5% to 2.0% in 2019.

Interest income from cash in banks and cash equivalents amounted to ₱32.5 million, ₱73.5 million and ₱68.9 million in 2021, 2020 and 2019, respectively (see Note 20).

Foreign exchange loss resulting from translation of foreign currency-denominated cash in banks into Philippine peso amounted to ₱36.6 million, ₱30.0 million and ₱18.2 million in 2021, 2020 and 2019, respectively (see Note 20).

5. Receivables

This account consists of:

	2021	2020
Trade		
Domestic	₱1,253,151,679	₱1,219,746,211
Export (Note 21)	132,915,917	108,537,336
Non-trade		
Related parties (Note 21)	63,183,575	63,801,390
Employees	4,707,742	14,468,347
Third parties	3,391,783	3,023,489
Others	31,560,549	34,793,698
	1,488,911,245	1,444,370,471
Less allowance for credit losses	(12,272,383)	(4,327,771)
	₱1,476,638,862	₱1,440,042,700

Trade receivables are non-interest bearing and are generally on 30 to 60-day terms. Trade receivables classified as “domestic” are those claims against local customers. Trade receivables classified as “export” are those claims arising from export sales of air conditioner units to related parties.



The changes in the allowance for expected credit losses on trade receivables in 2021 and 2020 follow:

	2021	2020
Balances at beginning of year	₱4,327,771	₱4,926,000
Provision for (recovery from) credit losses (Notes 16 and 20)	7,944,612	(598,229)
Balances at end of year	₱12,272,383	₱4,327,771

Foreign exchange gain (loss) loss on translation of receivables amounted to (₱1.8 million), (₱1.3 million) and ₱0.4 million in 2021, 2020 and 2019, respectively (see Note 20).

6. Inventories

This account consists of:

	2021	2020
At NRV:		
Finished goods and merchandise	₱946,654	₱1,312,585
At cost:		
Finished goods and merchandise	1,054,961,158	1,001,546,666
Raw materials	630,876,304	602,944,562
Supplies	42,723,603	33,814,742
Goods in process	11,664,068	14,434,667
	1,740,225,133	1,652,740,637
	₱1,741,171,787	₱1,654,053,222

The related cost of inventories recorded at NRV amounted to ₱34.2 million and ₱26.8 million as of March 31, 2021 and 2020, respectively. The amount of write-down of inventories included under cost of goods sold amounted to ₱158.0 million, ₱107.4 million and ₱79.4 million in 2021, 2020 and 2019, respectively (see Note 14). The amount of inventories recognized in cost of goods sold during the year amounted to ₱8.3 billion, ₱9.5 billion and ₱9.3 billion in 2021, 2020 and 2019, respectively (see Note 14).

7. Property, Plant and Equipment

The rollforward of this account follows:

	2021							Total
	Land and Land Improvements	Factory Machinery, Equipment and Tools	Buildings and Improvements	Office Furniture, Fixtures and Equipment	Transportation Equipment	Construction in Progress	Right-of-Use Asset- Building	
Cost								
Balances at beginning of year	₱236,029,162	₱2,020,870,339	₱1,223,511,001	₱184,016,993	₱141,320,455	₱10,443,344	₱25,739,710	₱3,841,931,004
Acquisitions (Note 28)	-	39,394,524	9,335,567	6,851,446	13,208,039	66,293,610	13,893,389	148,976,575
Retirements/disposals	-	(18,034,542)	-	(153,083)	(7,825,986)	-	(25,739,710)	(51,753,321)
Reclassifications	-	22,272,297	451,285	(424,007)	-	(22,299,575)	-	-
Balances at end of year	236,029,162	2,064,502,618	1,233,297,853	190,291,349	146,702,508	54,437,379	13,893,389	3,939,154,258
Accumulated depreciation								
Balances at beginning of year	2,851,295	1,620,873,831	834,805,507	168,367,900	116,740,010	-	14,963,151	2,758,601,694
Depreciation (Note 18)	-	158,523,595	52,655,036	12,364,047	10,955,214	-	7,179,612	241,677,504
Retirements/disposals	-	(17,375,142)	-	(153,083)	(7,689,431)	-	(20,599,053)	(45,816,709)
Balances at end of year	2,851,295	1,762,022,284	887,460,543	180,578,864	120,005,793	-	1,543,710	2,954,462,489
Net book value	₱233,177,867	₱302,480,334	₱345,837,310	₱9,712,485	₱26,696,715	₱54,437,379	₱12,349,679	₱984,691,769



2020								
	Land and Land Improvements	Factory Machinery, Equipment and Tools	Buildings and Improvements	Office Furniture, Fixtures and Equipment	Transportation Equipment	Construction in Progress	Right-of-Use Asset-Building	Total
Cost								
Balance at beginning of year	P236,029,162	P1,754,237,442	P1,096,458,676	P170,127,243	P137,481,609	P90,102,116	P25,739,710	P3,510,175,958
Acquisitions (Note 28)	-	75,261,768	51,368,292	16,398,166	12,336,610	191,562,358	-	346,927,194
Retirements/disposals	-	(392,620)	(451,250)	(5,648,025)	(8,497,764)	(182,489)	-	(15,172,148)
Reclassifications	-	191,763,749	76,135,283	3,139,609	-	(271,038,641)	-	-
Balances at end of year	236,029,162	2,020,870,339	1,223,511,001	184,016,993	141,320,455	10,443,344	25,739,710	3,841,931,004
Accumulated depreciation								
Balances at beginning of year	2,851,295	1,457,013,010	785,223,965	157,728,705	112,605,442	-	-	2,515,422,417
Depreciation (Note 18)	-	164,237,262	50,032,792	16,297,300	12,460,650	-	14,963,151	257,991,155
Retirements/disposals	-	(376,441)	(451,250)	(5,658,105)	(8,326,082)	-	-	(14,811,878)
Balances at end of year	2,851,295	1,620,873,831	834,805,507	168,367,900	116,740,010	-	14,963,151	2,758,601,694
Net book value	P233,177,867	P399,996,508	P388,705,494	P15,649,093	P24,580,445	P10,443,344	P10,776,559	P1,083,329,310

The land owned by PERC on which the manufacturing facilities are located is leased by the Parent Company under a twenty-five year lease agreement. Upon expiration of the lease, title to the land will not be transferred to the Parent Company.

As of March 31, 2021, the construction in progress mainly pertains to the improvements of factory machinery, equipment and tools and building improvements in PPH, Electric Fan, Refrigerator and Aircon Division. As of March 31, 2020, the construction in progress mainly pertains to the improvements of factory machinery, equipment and tools in Refrigerator Division and Aircon Division.

Additions in property, plant and equipment acquired on account amounted to ₱5.8 million and ₱7.2 million in 2021 and 2020, respectively (see Note 10). Gain on disposal and retirement of property, plant and equipment amounted to ₱0.4 million, nil and ₱0.2 million in 2021, 2020 and 2019, respectively (see Note 20). Considerations received from the disposal and retirement of property, plant and equipment amounted to ₱0.5 million, ₱0.4 million and ₱2.8 million in 2021, 2020 and 2019, respectively.

8. Leases

Parent Company as a Lessee

The Parent Company entered into cancellable operating leases of office spaces and warehouses (presented as 'Right-of-Use Assets - Building under 'Property, Plant and Equipment) for one (1) to three (3) years renewable under certain terms and conditions.

Some leases include a clause to enable upward revision of the rental charge on an annual basis based on prevailing market conditions.

The Parent Company also has certain leases of office space with remaining lease terms of 12 months or less and leases with low value assets. The Parent Company applies the recognition exemptions for these types of leases.

Rent expense charged against current operations amounted to ₱10.2 million, ₱2.6 million and ₱35.2 million, respectively in 2021, 2020 and 2019, respectively (see Notes 14 and 16). Rent expense in 2021 and 2020 pertains to expenses from short-term leases and leases of low-value assets.



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

	2021	2020
Depreciation expense of right-of-use assets	₱7,179,612	₱14,963,151
Interest expense on lease liabilities	282,553	979,388
Expenses relating to low-value assets (included in 'Cost of Goods Sold - Others') (Note 14)	-	133,200
Expenses relating to short-term leases (included in 'General and Administrative Expenses') (Note 16)	10,190,458	2,417,700
Total amount recognized in statement of comprehensive income	₱17,652,623	₱18,493,439

The rollforward of lease liability follows:

	2021	2020
Balance at beginning of year	₱10,708,792	₱25,294,930
Additions	13,893,389	-
Disposals	(5,265,270)	-
Accretion of interest (Note 16)	282,553	979,388
Payments	(7,974,503)	(15,565,526)
Balance at end of year	₱11,644,961	₱10,708,792

The following are the amounts recognized in the statement of financial position:

	2021	2020
Current lease liabilities	₱4,361,116	₱8,986,996
Noncurrent lease liabilities	7,283,845	1,721,796
	₱11,644,961	₱10,708,792

Shown below is the maturity analysis of the undiscounted lease payments as of March 31, 2021 and 2020:

	2021	2020
Within one (1) year	₱11,294,650	₱9,855,562
More than one (1) year	7,648,699	1,885,905
	₱18,943,349	₱11,741,467

9. Other Current Assets and Other Noncurrent Assets

Other current assets consist of the following:

	2021	2020
Creditable withholding taxes (CWTs)	₱91,598,330	₱33,886,458
Prepaid expenses	48,530,780	39,226,998
Advances to employees	5,914,497	10,831,222
Value-added input tax	-	11,413,308
	146,043,607	95,357,986
Less allowance for impairment losses	3,500,000	3,500,000
	₱142,543,607	₱91,857,986



Other noncurrent assets consist of the following:

	2021	2020
Refundable deposits	₱17,788,338	₱19,115,475
Financial assets at FVOCI	1,659,514	1,586,038
Software	1,632,272	2,635,531
Deferred input VAT	1,350,058	2,253,157
	₱22,430,182	₱25,590,201

CWTs

The allowance for impairment losses primarily relates to unrecoverable CWTs.

Value-added input tax

This represents amounts that can be applied against value-added output tax.

Advances to employees

Advances to employees pertain to cash advances made to employees for cost and expenses to be incurred on behalf of the Group, subject to liquidation.

Software

The composition and movements of software follow:

	2021	2020
Cost		
Balances at beginning of year	₱110,099,686	₱108,992,460
Additions	–	1,458,326
Write-off	–	(351,100)
Balances at end of year	110,099,686	110,099,686
Accumulated amortization		
Balances at beginning of year	107,464,155	106,520,118
Amortization (Note 18)	1,003,259	1,295,137
Written-off	–	(351,100)
Balances at end of year	108,467,414	107,464,155
Net book value	₱1,632,272	₱2,635,531

Financial assets at FVOCI

Financial assets at FVOCI pertain to the Parent Company's investments in mandatory equity shares in utility companies. The Parent Company does not intend to dispose these assets as it will continue to avail of the services of the said utility companies. The changes in fair value recognized in other comprehensive income amounted to ₱0.1 million gain in 2021, ₱3.2 million loss in 2020, and ₱2.4 million gain in 2019. Fair value changes in financial assets at FVOCI are presented as components of 'Other comprehensive income' in Equity.

Dividend income earned from financial assets at FVOCI amounted to nil in 2021, 2020 and 2019.



10. Accounts Payable and Accrued Expenses

Accounts payable consist of:

	2021	2020
Trade		
Related parties (Note 21)	₱443,414,414	₱209,302,448
Third parties	404,533,775	317,127,826
Non-trade		
Related parties (Note 21)	129,272,155	111,919,979
Third parties	5,798,487	7,164,214
Accrued expenses		
Third parties	1,829,376,834	1,659,084,633
Related parties (Note 21)	21,339,728	19,923,398
Others		
Advances from customers	41,199,975	40,954,320
Output VAT – net	14,706,174	–
Dividends payable (Notes 13 and 21)	5,491	2,513
	₱2,889,647,033	₱2,365,479,331

Trade accounts payable are non-interest bearing and are generally on 30 to 60-day terms.

Accrued expenses to third parties consist of:

	2021	2020
Advertising expenses and sales promotions	₱998,430,300	₱1,038,747,000
Suppliers	785,945,397	587,586,043
Salaries and other employee benefits	27,420,027	26,392,075
Freight expenses and releasing charges	17,581,110	6,359,515
	₱1,829,376,834	₱1,659,084,633

Foreign exchange gain (loss) on translation of payables amounted to ₱8.4 million, ₱5.5 million and (₱1.7 million) in 2021, 2020 and 2019, respectively (see Note 20).

11. Retirement and Other Liabilities

Other liabilities account consists of:

	2021	2020
Current		
Provisions for estimated liabilities	₱76,686,265	₱79,472,587
Noncurrent		
Provisions for estimated liabilities	314,428,664	323,575,349
Other long-term employee benefits	20,780,321	21,888,487
	335,208,985	345,463,836
	₱411,895,250	₱424,936,423



Provisions for estimated liabilities

Current and noncurrent portion of this account follows:

	2021	2020
Current		
Warranty claims	₱76,686,265	₱79,472,587
Noncurrent		
Warranty claims	12,992,735	21,846,413
Others	301,435,929	301,728,936
	314,428,664	323,575,349
	₱391,114,929	₱403,047,936

The rollforward of this account follows:

	2021		
	Warranty Claims	Others	Total
Balances at beginning of year	₱101,319,000	₱301,728,936	₱403,047,936
Provisions for (reversals of) (Notes 15 and 20)	32,224,945	(13,002,589)	19,222,356
Claims/usage/reclassifications	(43,864,945)	12,709,582	(31,155,363)
Balances at end of year	₱89,679,000	₱301,435,929	₱391,114,929
	2020		
	Warranty Claims	Others	Total
Balances at beginning of year	₱100,990,000	₱284,231,860	₱385,221,860
Provisions for (reversals of) (Notes 15 and 20)	67,830,925	(42,711,933)	25,118,992
Claims/usage/reclassifications	(67,501,925)	60,209,009	(7,292,916)
Balances at end of year	₱101,319,000	₱301,728,936	₱403,047,936

Provision for warranty claims are recognized for expected warranty claims on products sold, based on past experience in the level of repairs and returns.

Others primarily consist of provisions for legal cases and other liabilities.

The other information usually required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, is not disclosed on the grounds that it may negatively affect the operations of the Group and prejudice the outcome of the litigations and assessments.

Retirement Liability

The Group's retirement liability consists of:

	2021	2020
Retirement liability under defined benefit plan	₱107,075,461	₱113,594,542
Others	15,369,801	8,997,524
	₱122,445,262	₱122,592,066

The Parent Company has a funded, noncontributory defined benefit retirement plan covering all of its regular employees. The benefits are based on the years of service and percentage of latest monthly salaries.



Other retirement liability pertains to the Parent Company's employee benefits outside its defined benefit plan that it expects to pay to its employees upon retirement.

The principal actuarial assumptions used in determining retirement benefits for the Parent Company's retirement plan are as follows:

	2021	2020
Discount rate		
Beginning	4.9%	5.8%
Ending	4.6%	4.9%
Salary increase rate		
Beginning	5.0%	5.0%
Ending	5.0%	5.0%
Average expected future service years	8.0	7.5

Changes in retirement liability under defined plan in 2021 and 2020 are as follows:

	2021		
	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability (asset)
Balances at beginning of year	₱544,862,049	(₱431,267,507)	₱113,594,542
Net benefit cost in the consolidated statement of comprehensive income (Note 17)			
Current service cost	26,855,899	-	26,855,899
Net interest cost (income)	26,698,240	(21,132,108)	5,566,132
	53,554,139	(21,132,108)	32,422,031
Actual Contribution	-	-	-
Benefits paid	(34,752,826)	34,752,826	-
Remeasurements in other comprehensive income			
Actuarial changes arising from changes in financial assumptions	11,824,582	-	11,824,582
Experience adjustments	(28,482,782)	-	(28,482,782)
Return on plan assets	-	(22,282,912)	(22,282,912)
	(16,658,200)	(22,282,912)	(38,941,112)
Balances at end of year	₱547,005,162	(₱439,929,701)	₱107,075,461
	2020		
	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability (asset)
Balances at beginning of year	₱490,396,878	(₱397,990,822)	₱92,406,056
Net benefit cost in the consolidated statement of comprehensive income (Note 17)			
Current service cost	24,086,773	-	24,086,773
Net interest cost (income)	28,443,019	(23,083,468)	5,359,551
	52,529,792	(23,083,468)	29,446,324
Actual Contribution	-	(101,637,974)	(101,637,974)
Benefits paid	(22,664,466)	22,664,466	-
Remeasurements in other comprehensive income			
Actuarial changes arising from changes in financial assumptions	32,320,594	-	32,320,594
Experience adjustments	(7,720,749)	-	(7,720,749)
Return on plan assets	-	68,780,291	68,780,291
	24,599,845	68,780,291	93,380,136
Balances at end of year	₱544,862,049	(₱431,267,507)	₱113,594,542



Changes in other retirement liability in 2021 and 2020 are as follows:

	Present value of defined benefit obligation	
	2021	2020
Balances at beginning of year	₱8,997,524	₱9,231,918
Net benefit cost in the consolidated statement of comprehensive income (Note 17)		
Current service cost	824,578	772,991
Net interest cost	440,879	535,451
	1,265,457	1,308,442
Benefits paid	(3,398,555)	(188,316)
Remeasurements in other comprehensive income		
Actuarial changes arising from changes in financial assumptions	217,265	383,226
Experience adjustments	8,288,110	(1,737,746)
	8,505,375	(1,354,520)
Balances at end of year	₱15,369,801	₱8,997,524

Rollforward of remeasurement losses in 2021 and 2020 on retirement follows:

	2021	2020
Balance at the beginning of year	(₱146,865,832)	(₱84,754,687)
Remeasurement gain (loss) on retirement plan in OCI		
Due to change in financial assumption	(12,041,847)	(32,703,820)
Due to experience	20,194,672	9,458,495
Actuarial gain (loss) on plan assets	22,282,912	(68,780,291)
Remeasurement gain (loss) during the year	30,435,737	(92,025,616)
Tax effect	(8,456,317)	29,914,471
Remeasurement gain (loss) on retirement plan during the year, net of tax effect	21,979,420	(62,111,145)
Balance at the end of year	(₱124,886,412)	(₱146,865,832)

Movement of remeasurement gain (loss) to be recognized in OCI in 2021 and 2020 follows:

	2021	2020	2019
Actuarial gain (loss):			
Due to change in financial assumption	(₱12,041,847)	(₱32,703,820)	(₱23,428,569)
Due to experience	20,194,672	9,458,495	3,991,130
Due to change in demographic assumption	—	—	281,397
	8,152,825	(23,245,325)	(19,156,042)
Actuarial gain (loss) on plan assets	22,282,912	(68,780,291)	(79,054,955)
Total gain (loss) to be recognized in OCI	30,435,737	(92,025,616)	(98,210,997)
Tax effect	(8,456,317)	29,914,471	29,463,299
Total gain (loss) to be recognized in OCI, net of tax effect	₱21,979,420	(₱62,111,145)	(₱68,747,698)

Other long-term employee benefits

Other long-term employee benefits pertain to accumulated sick leaves and vacation leaves. Based on the Parent Company's policy, employees are entitled to accumulate 10 days of vacation leave and 45 days of sick leave credits which are convertible to cash upon retirement or resignation.



The principal actuarial assumptions used in determining other long-term employee benefits for the Parent Company are as follows:

	2021	2020
Discount rate		
Beginning	4.9%	5.8%
Ending	4.5%	4.9%
Salary increase rate		
Beginning	5.0%	5.0%
Ending	5.0%	5.0%
Average expected future service years	8.0	7.5
Average accumulated sick leaves	37.3 days	37.5 days
Average accumulated vacation leaves	10.4 days	10.6 days

Other long-term employee benefits incurred in 2021, 2020 and 2019 amounted to ₱1.3 million, ₱4.2 million and ₱4.9 million, respectively, presented under 'Salaries, wages and employee benefits' in the consolidated statement of comprehensive income (see Note 17).

The latest actuarial valuation reports of the Parent Company are prepared by an independent actuary as of March 31, 2021.

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of March 31, 2021 and 2020, assuming all other assumptions were held constant:

	Increase/ (Decrease)	2021	2020
Discount rates	+1.0%	(₱523,751,911)	(₱517,709,837)
	-1.0%	605,636,335	594,130,495
Future salary increases	1.0%	601,423,729	593,689,290
	-1.0%	(526,746,499)	(517,413,316)

Shown below is the maturity analysis of the undiscounted benefit payments:

	2021	2020
Less than 1 year to 5 years	₱253,604,809	₱311,068,013
More than 5 years to 10 years	404,005,132	397,966,036
More than 10 years to 15 years	268,677,037	261,451,302
More than 15 years	395,736,075	305,960,856

The average duration of the defined benefit obligation at the end of the reporting period is 14.6 years. The Parent Company expects to contribute ₱107.1 million to the defined benefit plan in 2022.

The distribution of plan assets by each class as at the end of the reporting period of the Parent Company are as follow (see Note 21):

	2021	2020
Cash and cash equivalents	₱132,778,119	₱154,536,064
Loans and receivables	51,698,484	59,272,207
Investments	255,453,098	217,459,236
	₱439,929,701	₱431,267,507



12. Capital Stock

Details of capital stock as of March 31, 2021 and 2020 follow:

	Par Value	Shares Authorized	Amount	Shares Issued and Outstanding	Amount
Class A	₱1	169,400,000	₱169,400,000	84,723,432	₱84,723,432
Class B	1	677,600,000	677,600,000	337,994,588	337,994,588
		847,000,000	₱847,000,000	422,718,020	₱422,718,020

- a. The Class A shares of stock can be issued to Philippine nationals only, while the Class B shares of stock can be issued to either Philippine or foreign nationals. As of March 31, 2021 and 2020, all Class B shares are issued to foreign nationals only. The Group's Class A shares of stock are listed in the Philippine Stock Exchange.
- b. Below is the summary of the Parent Company's track record of registration of securities under the Securities Regulation Code (SRC):

Date	Number of Shares	Issue Price
January 21, 1983	44,100,000	₱1
July 14, 1986	74,042,783	1
January 16, 1992	104,988,723	1

The total number of shares registered under the SRC is 84,723,432 shares being held by 460 and 453 stockholders as of March 31, 2021 and 2020, respectively.

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Group considers the following as its capital as of March 31, 2021 and 2020:

	2021	2020
Capital stock	₱422,718,020	₱422,718,020
Additional paid-in capital	4,779,762	4,779,762
Other comprehensive loss	(124,187,388)	(146,240,284)
Retained earnings (Note 13)		
Appropriated	3,842,400,000	3,792,400,000
Unappropriated	583,016,225	338,835,931
	₱4,728,726,619	₱4,412,493,429

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares.

The Parent Company declared cash dividends amounting to ₱63.1 million, ₱88.7 million, and ₱157.1 million in 2021, 2020 and 2019, respectively (see Note 13).



The Group and the Parent Company have no externally imposed capital requirements. There were no changes made in the objectives, policies or processes for the years ended March 31, 2021, 2020 and 2019, respectively.

13. Retained Earnings

- a. On September 18, 1990, the Parent Company entered into a Merger Agreement with National Panasonic (Phils.) Inc. (NPPI), a related party and the exclusive distributor of the "National" brand of electronic products. The terms and conditions of the merger, as set forth in the Articles of Merger which was approved by the SEC on October 29, 1990, include, among others, the transfer by NPPI to the Parent Company, being the surviving corporation, of all its assets, liabilities and business on the same date. The transaction was accounted for using the pooling of interests method.

The retained earnings inherited from NPPI before the effectivity of the merger amounting to ₱64.7 million are included in the consolidated statement of financial position under "unappropriated retained earnings". Such is not available for distribution to stockholders in the form of cash or property dividends. Based on the SEC guidelines and after considering this adjustment, the retained earnings available for dividend declaration as of March 31, 2021 and 2020 amounted to ₱418.0 million and ₱150.1 million, respectively.

In 2021 and 2020, the consolidated retained earnings include the retained earnings of PERC amounting to ₱42.4 million, which are not available for dividend declaration.

- b. On April 22, 2021, the Parent Company's BOD authorized and directed the reversal of the appropriated retained earnings amounting to ₱814.5 million. On the same date, the BOD authorized the appropriation of retained earnings amounting to ₱864.5 million, having a total appropriated retained earnings amounting to ₱3.8 billion of which, ₱3.6 billion, represents the reinstatement of the previous appropriations for in-plant production of plastic and metal parts, the Group's change of IT System and other future projects of the Parent Company, while the additional ₱221.4 million appropriations represents appropriations for expansion of warehouses to cope with business growth and the replacement and upgrading of old machines, molds and dies and other expected undertakings to expand production including target increase in B2B sales volume. Several projects of the Parent Company that were expected to be completed in 2021 were delayed. These projects are expected to be completed by 2030.
- c. On April 14, 2020, the Parent Company's BOD authorized and directed the reversal of the appropriated retained earnings amounting to ₱798.8 million. On the same date, the BOD authorized the appropriation of retained earnings amounting to ₱848.8 million, having a total appropriated retained earnings amounting to ₱3.8 billion of which, ₱3.2 billion, represents the reinstatement of the previous appropriations for in-plant production of plastic and metal parts, the Group's change of IT System and other future projects of the Parent Company, while the additional ₱530.0 million appropriations represents appropriations for expansion of warehouses to cope with business growth and the replacement and upgrading of old machines, molds and dies and other expected undertakings to expand production including target increase in B2B sales volume. Several projects of the Parent Company that were expected to be completed in 2021 were delayed. These projects are expected to be completed by 2030.
- d. On March 29, 2019, the Parent Company's BOD authorized and directed the reversal of the appropriated retained earnings amounting to ₱724.6 million. On the same date, the BOD authorized the appropriation of retained earnings amounting to ₱774.6 million, having a total of ₱3.7 billion of which, ₱3.3 billion represents the reinstatement of the previous appropriations for



in-plant production of plastic and metal parts, the Group's change of IT System and other future projects of the Parent Company, while the additional ₱382.8 million appropriations represents appropriations for expansion of warehouses to cope with business growth and the replacement and upgrading of old machines, molds and dies and other expected undertakings to expand production including target increase in B2B sales volume. These projects are expected to be completed by 2024.

e. The Parent Company's BOD declared cash dividends as follows:

	2021	2020	2019
March 31, 2021, 14.98% cash dividends to stockholders of record as of May 21, 2020 payable on May 29, 2020 (₱0.15 per share)	₱63,059,220	₱-	₱-
March 31, 2020, 20.99% cash dividends to stockholders of record as of April 22, 2019 payable on May 24, 2019 (₱0.21 per share)	-	88,736,084	-
March 31, 2019, 37.10% cash dividends to stockholders of record as of April 25, 2018 payable on May 11, 2018 (₱0.37 per share)	-	-	157,124,288
	₱63,059,220	₱88,736,084	₱157,124,288

14. Cost of Goods Sold

This account consists of:

	2021	2020	2019
Direct materials	₱4,274,434,406	₱4,421,047,221	₱4,357,168,075
Direct labor (Note 17)	252,061,884	238,434,796	165,882,757
Manufacturing overhead:			
Depreciation and amortization (Note 18)	207,480,273	213,007,314	174,875,484
Indirect labor (Note 17)	188,549,901	187,835,092	183,671,391
Research and development	92,845,002	74,583,358	27,085,844
Electricity, gas and water	50,017,236	64,094,710	52,366,191
Provision for inventory write-down (Note 6)	39,768,022	15,805,533	9,331,037
Travel	36,192,067	13,277,711	10,517,307
Repairs and maintenance	30,491,524	38,832,358	27,555,130
Indirect materials	23,378,276	24,609,071	22,726,917
Supplies	18,147,063	17,543,490	15,804,579
Insurance	10,436,315	11,494,301	8,873,335
Taxes and dues	5,211,524	4,261,158	4,590,472
Others	30,706,782	31,583,065	24,738,651
Total manufacturing overhead	733,223,985	696,927,161	562,136,338
Total manufacturing costs	5,259,720,275	5,356,409,178	5,085,187,170

(Forward)



	2021	2020	2019
Goods in process (Note 6):			
Beginning of year	₱14,434,667	₱10,564,748	₱19,786,525
End of year	(11,664,068)	(14,434,667)	(10,564,748)
Cost of goods manufactured	5,262,490,874	5,352,539,259	5,094,408,947
Finished goods and merchandise (Note 6):			
Beginning of year	1,002,859,251	1,101,361,371	963,587,145
Purchases	2,989,180,052	3,965,590,561	4,240,273,843
Provision for inventory write-down (Note 6)	118,191,394	91,639,506	70,101,349
End of year	(1,055,907,812)	(1,002,859,251)	(1,101,361,371)
	₱8,316,813,759	₱9,508,271,446	₱9,267,009,913

15. Selling Expenses

This account consists of:

	2021	2020	2019
Sales promotions	₱714,756,208	₱641,408,369	₱280,431,982
Freight and storage	371,053,414	400,499,134	528,209,608
Advertising and commissions	86,241,790	156,088,105	109,633,888
Provision for warranty claims (Note 11)	32,224,945	67,830,925	65,552,662
	₱1,204,276,357	₱1,265,826,533	₱983,828,140

16. General and Administrative Expenses

This account consists of:

	2021	2020	2019
Salaries, wages, and employee benefits (Note 17)	₱359,192,796	₱361,024,343	₱328,354,472
Technical assistance fees (Note 21)	180,653,122	183,881,413	174,043,531
Brand license fees (Note 21)	74,391,393	87,067,735	83,374,564
Repairs and maintenance	68,909,910	81,329,931	86,413,251
Taxes and dues	51,858,318	53,545,513	47,753,087
Outsourcing	46,612,439	66,761,475	59,103,176
Depreciation and amortization (Note 18)	35,200,490	46,278,978	28,524,824
Insurance	17,075,708	17,317,756	17,886,118
Travel	14,148,487	36,293,845	36,897,385
Allocated costs	13,951,945	16,434,401	15,578,410
Rent	10,190,458	2,417,700	35,229,134
Supplies	8,622,030	13,684,111	8,508,143
Provision for credit and impairment losses (Note 5)	7,944,612	—	526,315
Communications	7,443,917	6,864,080	5,745,282
Electricity, gas and water	6,645,314	6,432,376	6,374,085
Freight and Storage	3,241,576	2,717,158	2,939,070

(Forward)



	2021	2020	2019
Interest expense on lease liability (Note 8)	₱282,553	₱979,388	₱-
Provision for (reversal of) other estimated liabilities (Note 11)	-	-	110,496,000
Others	44,009,658	62,284,636	55,510,402
	₱950,374,726	₱1,045,314,839	₱1,103,257,249

Others include entertainment, amusement and recreation, research and development, product testing, credit investigation costs, hauling charges and others.

17. Salaries, Wages and Employee Benefits

This account consists of:

	2021	2020	2019
Compensation	₱655,497,907	₱637,149,431	₱556,709,452
Net retirement benefit expense (Note 11)	33,687,488	30,754,766	21,947,081
Other employee benefits	110,619,186	119,390,034	99,252,087
	₱799,804,581	₱787,294,231	₱677,908,620

Personnel expenses are shown in the consolidated statements of comprehensive income as follows:

	2021	2020	2019
Cost of goods sold (Note 14)	₱440,611,785	₱426,269,888	₱349,554,148
General and administrative expenses (Note 16)	359,192,796	361,024,343	328,354,472
	₱799,804,581	₱787,294,231	₱677,908,620

18. Depreciation and Amortization

Details of depreciation and amortization follow:

	2021	2020	2019
Property, plant and equipment (Note 7)	₱241,677,504	₱257,991,155	₱201,888,790
Software (Note 9)	1,003,259	1,295,137	1,511,518
	₱242,680,763	₱259,286,292	₱203,400,308
Cost of goods sold (Note 14)	₱207,480,273	₱213,007,314	₱174,875,484
General and administrative expenses (Note 16)	35,200,490	46,278,978	28,524,824
	₱242,680,763	₱259,286,292	₱203,400,308



19. Entertainment, Amusement and Recreation (EAR) Expenses

Details of EAR expenses required to be disclosed under Revenue Regulations No. 10-2002 of the Bureau of Internal Revenue, which authorizes the imposition of a ceiling on EAR expenses, follow:

	2021	2020	2019
General and administrative expenses (Note 16)	₱-	₱-	₱-
Cost of goods sold (Note 14)	-	-	32,822
	₱-	₱-	₱32,822

20. Other Income - net

This account consists of:

	2021	2020	2019
Service income (Note 21)	₱41,463,421	₱53,530,775	₱46,930,202
Interest income (Note 4)	32,503,149	73,510,148	68,853,694
Foreign currency exchange loss - net (Notes 4, 5 and 10)	(29,989,340)	(25,846,639)	(19,548,146)
Reversal of other estimated liabilities (Note 11)	13,002,589	42,711,933	-
Income from scrap sales	9,103,411	8,015,541	11,482,503
Gain on disposal/ retirement of property, plant and equipment and software (Note 7)	351,723	-	154,482
Recovery of allowance for credit and impairment losses (Note 5)	-	598,229	-
Miscellaneous income	584,443	-	-
	₱67,019,396	₱152,519,987	₱107,872,735

Miscellaneous income includes scrap sales and insurance claims.

21. Related Party Transactions

The Parent Company has entered into various transactions with related parties. Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence, such as affiliates. Related parties may be individuals or corporate entities. Transactions with related parties are made substantially on the same terms as with other individuals and businesses and are generally settled in cash.



The companies under common control of the Ultimate Parent Company (referred to as affiliates) that the Parent Company has transactions are as follows:

- Branch of Panasonic Appliances Vietnam Co., Ltd. In Hung Yen
- Panasonic Appliances (Thailand) Co.,Ltd.
- Panasonic Appliances Air-conditioning (Guangzhou) Co.,Ltd.
- Panasonic Appliances Air-conditioning (m) Sdn. Bhd.
- Panasonic Appliances India co., ltd.
- Panasonic Asia Pacific Pte. Ltd.
- Panasonic Consumer Marketing Asia Pacific
- Panasonic Corporation Appliances Company Head Office
- Panasonic Corporation Appliances Company Smart Life Network Bd Imaging Bu
- Panasonic Corporation Appliances Company Smart Life Network Bd Visual and Sound Bu
- Panasonic Corporation Global Procurement Company
- Panasonic Corporation Head Office
- Panasonic Ecology Systems (Thailand) Co.,Ltd.
- Panasonic Factory Solutions Asia Pacific
- Panasonic Hong Kong Co., Ltd.
- Panasonic India Pvt Ltd
- Panasonic Industrial Devices Automation Controls Sales Asiapacific
- Panasonic Industrial Devices Philippines Corporation
- Panasonic Life Solutions (Hong Kong) Co., Ltd.
- Panasonic Life Solutions Asia Pacific
- Panasonic Management (Thailand) Co.,Ltd.
- Panasonic Manufacturing Ayuthaya Co., Ltd.
- Panasonic Motor (Hangzhou) Co., Ltd.
- Panasonic Procurement Asia Pacific a Division of Panasonic Asia Pacific Pte. Ltd.
- Panasonic Procurement Malaysia Sdn.bhd.
- Panasonic Procurement (China)co., ltd.
- Panasonic System Solutions Asia Pacific
- Panasonic Taiwan Co.,Ltd. (Appliance)
- Panasonic Taiwan Co.,Ltd. avc networks company
- Panasonic Vietnam Co., Ltd.
- Panasonic Wanbao Appliances Compressor (Guangzhou) Co.,Ltd.
- Pt. Panasonic Gobel Eco Solutions Manufacturing Indonesia
- Pt. Panasonic Manufacturing Indonesia (Appliance)
- Pt. Panasonic Manufacturing Indonesia Eco System Division



As a result of the related party transactions, the Parent Company has outstanding balances with related parties as follows. Amounts due from and due to related parties are non-interest bearing and are normally settled within one year.

		2021	
Nature, terms and conditions		Amount/ Volume	Outstanding Balance
<i>Ultimate Parent Company</i>			
Non-trade receivables (Note 5)	Related to compensation and welfare expenses of certain employee, 30-days term, non-interest bearing, unsecured	₱10,137,380	₱8,636,852
	Related to promo support, 30-day term, non-interest bearing, unsecured	38,052,828	2,760,322
Non-trade payables (Note 10)	Related to brand license fees payable equivalent to 0.7% of the sales price of the products bearing the brand "KDK" and "Panasonic", non-interest bearing, payable semi-annually, unsecured	74,391,393	39,653,718
	Related to technical assistance fees payable equivalent to 3.0% of selected products, non-interest bearing, payable semi-annually, unsecured	162,587,810	89,618,437
Dividends payable (Note 10)	Dividends declared by the Parent Company	45,568,430	5,491
Accrued expenses (Note 10)	Related to compensation and welfare expenses of certain employees, payable quarterly, non-interest bearing, unsecured	64,703,690	16,519,094
	Related to communication expenses incurred, 30-day term, non-interest bearing, unsecured	9,434,539	1,460,311
	Accrued expenses related to export sales of the ACD (e.g. warranty expenses)	1,729,653	1,313,909
Technical assistance fee (Note 16)	Related to technical assistance fees payable equivalent to 3.0% of selected products	180,653,122	-
Brand license fee (Note 16)	Related to brand license fees payable equivalent to 1.0% of the sales price of the products bearing the brand "KDK" and "Panasonic"	74,391,393	-
<i>Affiliates</i>			
Trade receivables (Note 5)	Sale of airconditioner units products, 30-day term, non-interest bearing, unsecured, no impairment	1,302,724,774	132,915,917
Non-trade receivables (Note 5)	Related to service income from rendering services in the form of general advice and assistance fees, 30-day term, non-interest bearing, unsecured, no impairment	67,295,297	7,130,386
	Related to promo support, 30-day term, non-interest bearing, unsecured, no impairment	81,480,559	43,157,799
	Related to certain expenses paid in behalf of affiliates, 30-day term, non-interest bearing, unsecured, no impairment	17,364,080	1,347,587

(Forward)



			2021		
	Nature, terms and conditions	Amount/ Volume	Outstanding Balance		
	Related to MRO system charged by the Parent Company to a lessee-affiliate, 30-day term, non-interest bearing, unsecured, no impairment	₱2,121,880	₱150,629		
Trade payable (Note 10)	Purchase of raw materials, merchandise and other spare parts, 30-day term, non-interest bearing, unsecured	3,766,491,574	443,414,414		
Accrued expenses (Note 10)	Related to expenses payable for management fee, 30-day term, non-interest bearing, unsecured	13,950,745	1,327,902		
	Related to communication expenses incurred, 30-day term, non-interest bearing, unsecured	4,581,732	-		
	Related to allocated costs charged to the Company for certain services, 30-day term, non-interest bearing, unsecured	4,261,481	264,378		
	Accrued expenses related to product development cost of Aircon	66,289,342	454,134		
Service income (Note 20)	Related to service income earned from rendering services in the form of general advice and assistance fees	41,463,421	-		
			2020		
	Nature, terms and conditions	Amount/ Volume	Outstanding Balance		
<i>Ultimate Parent Company</i>					
Non-trade receivables (Note 5)	Related to compensation and welfare expenses of certain employee, 30-days term, non-interest bearing, unsecured	₱13,551,227	₱4,272,571		
	Related to promo support, 30-day term, non-interest bearing, unsecured	15,765,302	12,765,742		
Non-trade payables (Note 10)	Related to brand license fees payable equivalent to 0.7% of the sales price of the products bearing the brand "KDK" and "Panasonic", non-interest bearing, payable semi-annually, unsecured	87,067,735	37,180,355		
	Related to technical assistance fees payable equivalent to 3.0% of selected products, non-interest bearing, payable semi-annually, unsecured	165,599,780	74,739,624		
Dividends payable (Note 10)	Dividends declared by the Parent Company	70,953,373	2,513		
Accrued expenses (Note 10)	Related to compensation and welfare expenses of certain employees, payable quarterly, non-interest bearing, unsecured	64,792,798	11,030,339		
	Related to communication expenses incurred, 30-day term, non-interest bearing, unsecured	10,498,553	1,000,172		
	Accrued expenses related to export sales of the ACD (e.g. warranty expenses)	3,419,138	2,136,454		

(Forward)



			2020		
Nature, terms and conditions		Amount/ Volume	Outstanding Balance		
	Related to training fees incurred, non-interest bearing, unsecured	₱2,611,524		₱-	
Technical assistance fee (Note 16)	Related to technical assistance fees payable equivalent to 3.0% of selected products	183,881,413		-	
Brand license fee (Note 16)	Related to brand license fees payable equivalent to 1.0% of the sales price of the products bearing the brand "KDK" and "Panasonic"	87,067,735		-	
<i>Affiliates</i>					
Trade receivables (Note 5)	Sale of airconditioner units products, 30-day term, non-interest bearing, unsecured, no impairment	1,042,752,733		108,537,336	
Non-trade receivables (Note 5)	Related to service income from rendering services in the form of general advice and assistance fees, 30-day term, non-interest bearing, unsecured, no impairment	78,561,616		11,279,680	
	Related to promo support, 30-day term, non-interest bearing, unsecured, no impairment	127,518,714		33,987,083	
	Related to certain expenses paid in behalf of affiliates, 30-day term, non-interest bearing, unsecured, no impairment	12,485,465		1,190,494	
	Related to MRO system charged by the Parent Company to a lessee-affiliate, 30-day term, non-interest bearing, unsecured, no impairment	3,605,534		305,820	
Trade payable (Note 10)	Purchase of raw materials, merchandise and other spare parts, 30-day term, non-interest bearing, unsecured	4,123,686,759		209,302,448	
Accrued expenses (Note 10)	Related to expenses payable for management fee, 30-day term, non-interest bearing, unsecured	16,559,455		3,877,020	
	Related to communication expenses incurred, 30-day term, non-interest bearing, unsecured	20,635,002		1,326,490	
	Related to allocated costs charged to the Company for certain services, 30-day term, non-interest bearing, unsecured	11,389,158		552,923	
	Accrued expenses related to product development cost of Aircon	45,444,016		--	
Service income (Note 20)	Related to service income earned from rendering services in the form of general advice and assistance fees	53,530,775		--	



		2019	
		Amount/ Volume	Outstanding Balance
<i>Ultimate Parent Company</i>			
Non-trade receivables (Note 5)	Related to compensation and welfare expenses of certain employee, 30-days term, non-interest bearing, unsecured	¥29,157,733	¥6,629,927
	Related to promo support, 30-day term, non-interest bearing, unsecured	41,495,540	1,380,418
Trade payable (Note 10)	Purchase of raw materials, merchandise and other spare parts, 30-day term, non-interest bearing, unsecured	43,040,984	408,116
Non-trade payables (Note 10)	Related to brand license fees payable equivalent to 0.7% of the sales price of the products bearing the brand "KDK" and "Panasonic", non-interest bearing, payable semi-annually, unsecured	76,431,870	37,613,910
	Related to technical assistance fees payable equivalent to 3.0% of selected products, non-interest bearing, payable semi-annually, unsecured	174,043,531	73,919,867
Dividends payable (Note 10)	Dividends declared by the Parent Company	125,632,588	-
Accrued expenses (Note 10)	Related to compensation and welfare expenses of certain employees, payable quarterly, non-interest bearing, unsecured	53,118,608	8,550,061
	Related to communication expenses incurred, 30-day term, non-interest bearing, unsecured	13,504,059	1,232,286
	Accrued expenses related to export sales of the ACD (e.g. warranty expenses)	3,357,520	3,357,520
	Related to training fees incurred, non-interest bearing, unsecured	2,168,853	70,626
Technical assistance fee (Note 16)	Related to technical assistance fees payable equivalent to 3.0% of selected products	174,043,531	-
Brand license fee (Note 16)	Related to brand license fees payable equivalent to 1.0% of the sales price of the products bearing the brand "KDK" and "Panasonic"	83,374,564	-
<i>Affiliates</i>			
Trade receivables (Note 5)	Sale of airconditioner units products, 30-day term, non-interest bearing, unsecured, no impairment	73,786,449	266,709,978
Non-trade receivables (Note 5)	Related to service income from rendering services in the form of general advice and assistance fees, 30-day term, non-interest bearing, unsecured, no impairment	57,244,192	5,411,215
	Related to promo support, 30-day term, non-interest bearing, unsecured, no impairment	193,632,733	8,321,564
	Related to certain expenses paid in behalf of affiliates, 30-day term, non-interest bearing, unsecured, no impairment	12,754,032	2,965,640

(Forward)



		2019	
	Nature, terms and conditions	Amount/ Volume	Outstanding Balance
Trade payable (Note 10)	Purchase of raw materials, merchandise and other spare parts, 30-day term, non-interest bearing, unsecured	P4,955,738,885	P446,282,458
Accrued expenses (Note 10)	Related to expenses payable for management fee, 30-day term, non-interest bearing, unsecured	15,578,410	2,703,750
	Related to communication expenses incurred, 30-day term, non-interest bearing, unsecured	51,508,127	9,907,893
	Accrued expenses related to product development cost of Aircon	7,764,583	140,423
Service income (Note 20)	Related to service income earned from rendering services in the form of general advice and assistance fees	46,930,202	-

Receivable from and payable to related parties are presented under 'Receivables' and 'Accounts payable and accrued expenses', respectively.

The sales to and purchases from related parties are made at terms equivalent to those that prevail in arm's length transactions. Outstanding balances as at March 31, 2021 and 2020 are unsecured and interest-free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. In 2021, 2020 and 2019, the Group has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

The Parent Company has interest-bearing loans receivable from its Subsidiary amounting to P154.0 million as of March 31, 2021 and 2020. The 12.0% nominal annual interest is to be paid on a monthly basis while the principal is payable on its maturity date, March 31, 2026.

The carrying amount of the receivable in the Parent Company's books and payable in the Subsidiary's books amounted to P154.0 million as of March 31, 2021 and 2020, respectively, which were eliminated in the consolidation. The net expenses in the Parent Company's books and net revenue in the Subsidiary's books amounted to P28.9 million and P19.1 million in 2021, 2020 and 2019. These balances and transactions were eliminated in the consolidation.

Key Management Personnel

The Group's key management personnel include the president and directors. The compensation of key management personnel consists of:

	2021	2020	2019
Short-term employee benefits	P45,968,958	P58,169,352	P64,978,844
Post-employment benefits	4,338,871	4,390,861	4,865,047
	P50,307,829	P62,560,213	P69,843,891

There are no agreements between the Group and any of its key management personnel providing for benefits upon termination of employment, except for such benefits to which they may be entitled under the Parent Company's retirement plan.



Transactions with the Retirement Fund

Under PFRS, certain post-employment benefit plans are considered as related parties.

The Parent Company's retirement plan is in the form of different investments being managed by the Parent Company. The Board of Trustees (BOT) of the retirement plan is mandated to approve the plan, trust agreement, investment plan including any amendments or modifications thereto, and any other activities of the plan. Certain members of the BOD of the Parent Company are represented in the BOT. The BOT manages the plan based on the mandate as defined in the trust agreement. The retirement fund has 58.0% interest in the subsidiary of the Parent Company amounting to ₱7.4 million and 5.1% interest in the Parent Company amounting to ₱21.6 million as of March 31, 2021 and carried at fair value. The Retirement Fund recognized a rereasurement gain (loss) amounting to ₱22.3 million and (₱68.8) million in 2021 and 2020, respectively.

The fair value of the net plan assets of the fund by each classes as at the end of the reporting period are presented in Note 11.

As of March 31, 2021 and 2020, certain loans and receivables amounting to ₱51.7 million and ₱59.3 million, respectively, are receivables of the retirement fund from certain employees of the Parent Company. These are being deducted from the monthly salary of the employees and are payable within 12 months. Investments include equity instruments which have quoted market prices except for the investment in PERC amounting to ₱60.6 million and ₱60.0 million as of March 31, 2021 and 2020, respectively. The fair value of investment in quoted equity instruments as of March 31, 2021 and 2020 amounted to ₱136.4 million and ₱112.3 million, respectively. Investments also include investment properties pertaining to a parcel of land held for capital appreciation amounting to ₱18.0 million and ₱9.0 million as of March 31, 2021 and 2020.

There are no other transactions or outstanding balances by the Parent Company, or its related parties, with the retirement plan of the employees of the Parent Company as of March 31, 2021 and 2020.

22. Registration with the PEZA

The Parent Company is registered with the Philippine Economic Zone Authority (PEZA) pursuant to the provision of Republic Act (RA) No. 7916 (otherwise known as the "Special Economic Development Zone Act of 1995"), for Ecozone Export Enterprise for the manufacture of air conditioners and related service parts. Under the terms and conditions of its registration, the Parent Company is subject to certain requirements primarily related to the monitoring of its registered activities.

As a PEZA registered nonpioneer enterprise, the Parent Company's existing Board of Investments (BOI) operations, which were transferred to PEZA, are entitled to certain tax benefits and nontax incentives provided for the original project by the aforementioned law, which includes, among others, income tax holiday (ITH) for three years for incremental sales of air-conditioners starting April 1, 2003, 5.0% gross income taxation for air conditioners in lieu of national and local taxes, tax and duty-free importation of capital equipment and raw materials, exemption from realty taxes on machinery for four years from the date of acquisition, employment of foreign nationals and others. Any local sale of its registered products shall be subject to a separate application and prior PEZA approval.

The Parent Company's BOI registration is deemed cancelled upon approval of its PEZA registration.



The Parent Company also agrees that a first lien shall automatically be constituted upon any of its real or personal property found, existing and/or located in its registered operations to answer for any and all outstanding obligations or accounts owing, due and/or payable by the Parent Company to PEZA in the future, if any.

23. Income Taxes

The provision for income tax consists of:

	2021	2020	2019
Current			
RCIT	₱73,887,590	₱121,732,910	₱147,418,812
Gross income tax (GIT)	23,469,912	18,606,449	20,658,316
Deferred	23,276,722	(26,740,088)	(42,007,077)
	₱120,634,224	₱113,599,271	₱126,070,051

The reconciliation of income before income tax computed at the statutory tax rate to provision for income tax as shown in the consolidated statements of comprehensive income follows:

	2021	2020	2019
Income tax at statutory income tax rate	₱135,591,343	₱72,096,274	₱82,377,356
Additions to (reductions in) income taxes resulting from:			
Movement in unrecognized deferred tax assets	6,734,988	78,791,189	93,849,785
Income from PEZA registered activities	(19,928,217)	(23,262,547)	(34,686,453)
Income subjected to final tax	(3,592,025)	(16,303,888)	(15,118,297)
Non-deductible expenses (non-taxable income)	1,828,135	2,278,243	(352,340)
	₱120,634,224	₱113,599,271	₱126,070,051

The components of the Group's net deferred tax assets follow:

	2021	2020
Deferred tax assets:		
Retirement liability (Note 11)	₱54,647,457	₱84,597,324
Provisions for estimated liabilities and other accruals	34,245,166	26,502,376
Allowance for inventory losses	22,102,109	20,504,037
Unamortized past service cost	19,781,760	43,243,688
Allowance for credit and probable losses	3,068,096	1,298,331
Lease liability	2,911,240	3,212,638
Unrealized foreign currency exchange loss - net	-	1,146,962
	136,755,828	180,505,356
Deferred tax liabilities:		
Net book value of replacement and burned property, plant and equipment	6,430,878	8,527,347
Right-of-use asset	3,087,420	3,232,968
Unrealized foreign currency exchange gain - net	48,907	-
	9,567,205	11,760,315
	₱127,188,623	₱168,745,041



Movements in net deferred tax assets comprise of:

	2021	2020
At beginning of the year	₱168,745,041	₱112,090,482
Amounts credited to statements of income	(23,276,722)	26,740,088
Amount charged against statements of comprehensive income	(18,279,696)	29,914,471
At end of the year	₱127,188,623	₱168,745,041

As of March 31, 2021 and 2020, the Group did not recognize deferred tax assets amounting to ₱54.6 million and ₱6.9 million, respectively, on temporary differences related to provisions for estimated liabilities and other accruals. The Group assessed that it may not be probable that sufficient taxable income will be available in the foreseeable future against which these tax benefits can be realized.

In addition, the Group has certain activities entitled to tax benefits and nontax incentives granted by PEZA. As such, no deferred tax assets were set up on certain gross deductible temporary differences amounting to ₱0.2 million and ₱0.7 million in 2021 and 2020, respectively.

Relevant tax updates

Corporate Recovery and Tax Incentives for Enterprises (CREATE) Bill

President Rodrigo Duterte signed into law on March 26, 2021 the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act to attract more investments and maintain fiscal prudence and stability in the Philippines. Republic Act (RA) 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. It takes effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or April 11, 2021.

The following are the key changes to the Philippine tax law pursuant to the CREATE Act which have an impact on the Company:

- Effective July 1, 2020, regular corporate income tax (RCIT) rate is reduced from 30% to 25% for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding Php5 million and with total assets not exceeding Php100 million (excluding land on which the business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20%.
- Minimum corporate income tax (MCIT) rate reduced from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023.
- Imposition of improperly accumulated earnings tax (IAET) is repealed.
- For investments prior to effectivity of CREATE:
 - RBEs granted an ITH followed 5% GIT or are currently enjoying 5% GIT – allowed to avail of the 5% GIT for 10 years.

Effective July 1, 2020, applying the provisions of the CREATE Act, the Parent Company and Subsidiary would have been subjected to lower regular corporate income tax rate of 25% and 20%, respectively.

Based on the provisions of Revenue Regulations (RR) No. 5-2021 dated April 8, 2021 issued by the BIR, the prorated CIT rate of the Parent Company and Subsidiary for FY2021 is 26.25% and 22.5%, respectively.



24. Contingencies

The Group is contingently liable for lawsuits and tax assessments arising from the ordinary course of business. In the opinion of management and its legal counsels, the ultimate liability for the said lawsuits and tax assessments, if any, would not be material in relation to the Group's financial position and operating results.

25. Basic/Diluted Earnings Per Share

Basic earnings per share is calculated by dividing the net income attributable to the equity holders of the Parent Company by the weighted average number of common shares outstanding during the year. Diluted earnings per share is the same as the basic earnings per share as there are no potential dilutive shares outstanding.

The following are the income and share data used in the basic/diluted earnings per share computation:

	2021	2020	2019
Net income attributable to the equity holders of the Parent Company (a)	₱357,239,514	₱126,066,914	₱148,144,539
Weighted average number of common shares (b) (Note 12)	422,718,020	422,718,020	422,718,020
Basic/diluted earnings per share (a/b)	₱0.85	₱0.30	₱0.35

There have been no other transactions involving common shares or potential common shares between the reporting date and the date of the completion of the consolidated financial statements.

26. Reporting Segments

For management purposes, the Group's business segments are grouped in accordance with that of Parent Company's (PC) lines of business, which are grouped on product basis follow: GCMS (Global Consumer Marketing Sector), SNC (System Network and Communication) and others. Under this structure, each business domain will integrate its research and development, manufacturing and sales, thereby establishing an autonomous structure that expedites business operations to accelerate growth.

Products under each business segment are as follows:

Consumer - This segment includes audio, video primarily related to selling products for media and entertainment industry. This also includes home appliance and household equipment primarily related to selling for household consumers.

System Solutions Group (SSG) - This segment includes office automation equipment such as telecommunication products, security system and projectors primarily related to selling for business consumers.

Others - This segment includes supermarket refrigeration such as cold room, showcases and bottle coolers primarily related to selling to supermarkets and groceries. This also includes solar panel which is primarily a project-based selling.



Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. However, current and deferred taxes are managed on a group basis and are not allocated to operating segments.

The Group's segment information for the fiscal years ended March 31 is as follows (in thousands):

	2021					Total
	Consumer	SSG	ES	Others	Adjustments/ Eliminations	
Consolidated Statement of Comprehensive Income						
Net sales	₱10,483,965	₱181,337	₱117,244	₱100,549	₱-	₱10,883,095
Cost of goods sold (Note 14)	(7,978,269)	(131,880)	(95,874)	(110,790)	-	(8,316,813)
Selling expenses (Note 15)	(1,216,898)	(22,418)	25,714	9,326	-	(1,204,276)
General and administrative expenses (Note 16)	(942,861)	(23,746)	(38,247)	54,479	-	(950,375)
Other income - net (Note 20)	85,251	(505)	40	(17,767)	-	67,019
Income before income tax	₱431,188	₱2,788	₱8,877	₱35,797	₱-	478,650
Provision for income tax (Note 23)						120,634
Net income						₱358,016

Consolidated Statement of Financial Position

	Consumer	SSG	ES	Others	Adjustments/ Eliminations	Total
Segment assets	₱3,325,386	₱282,415	₱43,657	₱4,459,246	₱127,189 ¹	₱8,237,893
Segment liabilities	1,512,590	7,917	4,067	1,911,059	-	3,435,633

Other Segment Information

	Consumer	SSG	ES	Others	Adjustments/ Eliminations	Total
Capital expenditures ² (Notes 7 and 9)	14,582	-	42	134,353	-	148,977
Depreciation and amortization ³ (Note 18)	12,915	1,050	457	228,259	-	242,681
Interest income ⁴ (Note 20)	32,503	-	-	-	-	32,503

1. Segment assets do not include deferred tax assets amounting to ₱127.2 million.
2. Capital expenditures include acquisition of property, plant and equipment and software costs.
3. Depreciation and amortization is divided between cost of goods sold and general and administrative expenses.
4. Interest income is included in other income.

	2020					Total
	Consumer	SSG	ES	Others	Adjustments/ Eliminations	
Consolidated Statement of Comprehensive Income						
Net sales	₱11,363,548	₱396,001	₱-	₱147,399	₱-	₱11,906,948
Cost of goods sold (Note 14)	(9,013,471)	(331,389)	-	(163,411)	-	(9,508,271)
Selling expenses (Note 15)	(1,277,536)	(42,855)	-	54,564	-	(1,265,827)
General and administrative expenses (Note 16)	(952,294)	(44,897)	-	(48,124)	-	(1,045,315)
Other income - net (Note 20)	154,737	2,031	-	(4,248)	-	152,520
Income before income tax	₱274,984	(₱21,109)	₱-	(₱13,820)	₱-	240,055
Provision for income tax (Note 23)						113,599
Net income						₱126,456

Consolidated Statement of Financial Position

	Consumer	SSG	ES	Others	Adjustments/ Eliminations	Total
Segment assets	₱6,920,429	₱316,939	₱-	₱2,855	₱168,745 ¹	₱7,408,968
Segment liabilities	2,860,092	38,746	-	24,879	-	2,923,717

Other Segment Information

	Consumer	SSG	ES	Others	Adjustments/ Eliminations	Total
Capital expenditures ² (Notes 7 and 9)	345,116	1,534	-	1,736	-	348,386
Depreciation and amortization ³ (Note 18)	255,573	2,747	-	966	-	259,286
Interest income ⁴ (Note 20)	73,510	-	-	-	-	73,510

1. Segment assets do not include deferred tax assets amounting to ₱168.7 million.
2. Capital expenditures include acquisition of property, plant and equipment and software costs.
3. Depreciation and amortization is divided between cost of goods sold and general and administrative expenses.
4. Interest income is included in other income.



	2019					Total
	Consumer	SSG	ES	Others	Adjustments/ Eliminations	
Consolidated Statement of Comprehensive Income						
Net sales	₱11,021,262	₱338,466	₱-	₱161,086	₱-	₱11,520,814
Cost of goods sold (Note 14)	(8,800,913)	(299,221)	-	(166,876)	-	(9,267,010)
Selling expenses (Note 15)	(993,438)	(1,892)	-	11,502	-	(983,828)
General and administrative expenses (Note 16)	(1,006,023)	(30,778)	-	(66,456)	-	(1,103,257)
Other income - net (Note 20)	33,221	965	-	73,686	-	107,872
Income before income tax	₱254,109	₱7,540	₱-	₱12,942	₱-	274,591
Provision for income tax (Note 23)						126,070
Net income						₱148,521
Consolidated Statement of Financial Position						
Segment assets	₱4,520,268	₱379,112	₱-	₱2,365,116	₱112,090 ¹	₱7,376,586
Segment liabilities	2,392,228	136,947	-	331,854	2,715 ²	2,863,744
Other Segment Information						
Capital expenditures ³ (Notes 7 and 9)	197,172	3,168	-	85,727	-	286,067
Depreciation and amortization ⁴ (Note 18)	141,412	790	-	61,198	-	203,400
Interest income ⁵ (Note 20)	68,854	-	-	-	-	68,854

1. Segment assets do not include deferred tax assets amounting to ₱112.1 million.
2. Segment liabilities do not include income tax payable amounting to ₱2.7 million.
3. Capital expenditures include acquisition of property, plant and equipment and software costs.
4. Depreciation and amortization is divided between cost of goods sold and general and administrative expenses.
5. Interest income is included in other income.

Geographic Information

The table below shows the net sales information of the Parent Company based on the location of the customer (in thousands):

	2021	2020	2019
Philippines	₱9,580,370	₱10,864,195	₱10,392,122
Hongkong	1,302,725	1,031,580	1,105,739
Nigeria	-	-	22,953
Africa	-	11,173	-
	₱10,883,095	₱11,906,948	₱11,520,814

The Parent Company has two customers each representing 10.0% or more of the Parent Company's total revenue amounting to ₱3.3 billion in 2021 and ₱3.8 billion in 2020.

Disaggregated revenue information

The table below shows the net sales information of the Parent Company based on the revenue streams identified (in thousands):

	2021				
	Consumer	SSG	ES	Others	Total
B2B sales	₱306,710	₱181,337	₱117,244	₱100,549	₱705,840
B2C sales	10,177,255	-	-	-	10,177,255
	₱10,483,965	₱181,337	₱117,244	₱100,549	₱10,883,095
	2020				
	Consumer	SSG	ES	Others	Total
B2B sales	₱394,148	₱396,001	₱-	₱61,721	₱851,870
B2C sales	10,969,400	-	-	85,678	11,055,078
	₱11,363,548	₱396,001	₱-	₱147,399	₱11,906,948



27. Financial Risk Management Objectives and Policies

Risk management structure

All policy directions, business strategies and management initiatives emanate from the BOD which strives to provide the most effective leadership for the Group. The BOD endeavors to remain steadfast in its commitment to provide leadership, direction and strategy by regularly reviewing the Group's performance. For this purpose, the BOD convenes at least once a month.

The Group has adopted internal guidelines setting forth matters that require BOD approval. Under the guidelines, all new investments, any increase in investment in businesses and any divestments require BOD approval.

The Group's principal financial instruments consist of cash and cash equivalents, receivables and AFS investments. The main purpose of these financial instruments is to raise finances for the Group's operations. The Group has various other financial instruments such as, accounts payable and accrued expenses, dividends payable and technical assistance fees payable which arise from normal operations.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk and market risk. The Group also monitors the market price risk arising from all financial instruments.

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur financial loss. With respect to credit risk arising from financial assets of the Group, which comprise of cash and cash equivalents, receivables, financial assets at FVOCI and other assets, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of the instrument.

The Group manages credit risk by assessing the creditworthiness of its counterparties. The Group trades only with recognized, creditworthy third parties. It is the Group's practice that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis.

As of March 31, 2021 and 2020, the Group does not hold collateral or other credit enhancement for cash and cash equivalents, receivables and refundable Meralco deposits (included in other noncurrent assets). Thus, carrying values represent maximum exposure to credit risk. The Group acquired credit insurance for its domestic trade receivables, which covers both fully secured and partially secured receivables. Other than for domestic trade receivables, the Group's maximum exposure to credit risk is equivalent to the carrying value of the Group's financial assets as of March 31, 2021 and 2020.

Risk concentrations of the maximum exposure to credit risk

Concentrations arise when a number of counterparties are engaged in similar business activities or activities in the same geographic region or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location. Such credit risk concentrations, if not properly managed, may cause significant losses that could threaten the Group's financial strength and undermine public confidence.

As of March 31, 2021, the Group had two customers that owed it for a total amount of ₱450.2 million that accounts for more than 34.6% of the total trade receivables outstanding. As of March 31, 2020, the Group had two customers that owed it for a total amount of ₱386.2 million that accounts for more than 30.4% of the total trade receivables outstanding.



As of March 31, 2021 and 2020, the Group's maximum exposure to credit risk pertaining to trade receivables follows:

	Carrying Value	Fair Value of Credit Enhancement	Maximum Exposure to Credit Risk	Financial Effect of Credit Enhancement
2021	₱1,386,067,596	₱965,771,012	₱420,296,584	₱965,771,012
2020	1,328,283,547	1,046,242,417	282,041,130	1,046,242,417

Credit risks from cash in banks and cash equivalents are minimal since these are placed and recoverable from banks. Accordingly, these financial assets are considered to be low credit risk investments. The ECL allowance of these financial assets are measured using 12-month ECL (Stage 1) which is considered insignificant as at April 1, 2020 and March 31, 2021.

For receivables, an impairment analysis is performed at each reporting date using a provision matrix to measure ECL.

The table below shows the information about the Group's credit risk exposures on trade receivables using a provision matrix:

	2021				Total
	Current	More than 30 days	More than 60 days	More than 90 days	
Trade receivables					
Expected credit loss rate	0.21%	16.46%	26.69%	31.11%	
Total gross carrying amount	₱1,346,339,449	₱37,665,669	₱720,306	₱1,342,172	₱1,386,067,596
Expected credit losses	10,302,936	160,551	480,400	1,328,496	12,272,383

	2020				Total
	Current	More than 30 days	More than 60 days	More than 90 days	
Trade receivables					
Expected credit loss rate	0.23%	16.49%	26.51%	30.18%	
Total gross carrying amount	₱1,315,150,441	₱7,271,132	₱3,229,981	₱2,631,993	₱1,328,283,547
Expected credit losses	2,886,410	699,554	379,842	361,965	4,327,771

The credit quality of financial assets was determined as follows:

Cash and cash equivalents - are composed of bank deposits and money market placements made with reputable financial institutions and hence, graded as "high grade".

Receivables - high grade receivables are receivables from related parties and employees while standard grade receivables are receivables from dealers who pay within the Group's normal credit terms.

Other assets - pertains to deposits in refundable Meralco deposits and advances to employees which are considered as "high grade" since collectability of the refund is reasonably assured.

Liquidity Risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through collection of receivables and cash management. Liquidity planning is being performed by the Group to ensure availability of funds needed to meet working capital requirements.

Overall, the Group's funding arrangements are designed to keep an appropriate balance between equity and debt to give financing flexibility while continuously enhancing the Group's business.



The tables below summarize the maturity profile of the Group's financial assets and liabilities, based on the contractual undiscounted collections and payments:

	2021				
	Less than 30 days	1 to 3 months	3 to 12 months	Beyond 1 year	Total
Financial Assets					
Cash in banks	₱1,126,220,585	₱-	₱-	₱-	₱1,126,220,585
Cash equivalents*	2,140,210,501	477,337,018	-	-	2,617,547,519
Receivables					
Trade					
Domestic	1,203,120,596	37,745,024	13,676	-	1,240,879,296
Export	132,915,917	-	-	-	132,915,917
Non-trade	102,843,649	-	-	-	102,843,649
	4,705,311,248	515,082,042	13,676	-	5,220,406,966
Financial assets at FVOCI	-	-	-	1,659,514	1,659,514
Refundable deposits	17,788,338	-	-	-	17,788,338
	4,723,099,586	515,082,042	13,676	1,659,514	5,239,854,818
Financial Liabilities					
Lease Liability*	-	1,213,389	3,712,970	7,648,699	12,575,058
Accounts payable and accrued expenses**	1,775,214,829	9,301,470	1,012,191,607	71,239,090	2,867,946,996
	1,775,214,829	10,514,859	1,015,904,577	78,887,789	2,880,522,054
	₱2,947,884,757	₱504,567,183	(₱1,015,890,901)	(₱77,228,275)	₱2,359,332,764

*Includes future interest

**Excludes statutory liabilities amounting to ₱21.7 million

	2020				
	Less than 30 days	1 to 3 months	3 to 12 months	Beyond 1 year	Total
Financial Assets					
Cash in banks	₱634,292,276	₱-	₱-	₱-	₱634,292,276
Cash equivalents*	2,112,471,082	200,278,359	-	-	2,312,749,441
Receivables					
Trade					
Domestic	1,203,726,695	9,801,559	1,890,186	-	1,215,418,440
Export	108,537,336	-	-	-	108,537,336
Non-trade	116,086,924	-	-	-	116,086,924
	4,175,114,313	210,079,918	1,890,186	-	4,387,084,417
Financial assets at FVOCI	-	-	-	1,586,038	1,586,038
Refundable deposits	19,115,475	-	-	-	19,115,475
	4,194,229,788	210,079,918	1,890,186	1,586,038	4,407,785,930
Financial Liabilities					
Lease Liability*	1,323,033	2,646,068	5,318,625	1,760,000	11,047,726
Accounts payable and accrued expenses**	1,260,603,792	16,851,941	1,053,460,105	17,531,531	2,348,447,369
	1,261,926,825	19,498,009	1,058,778,730	19,291,531	2,359,495,095
	₱2,932,302,963	₱190,581,909	(₱1,056,888,544)	(₱17,705,493)	₱2,048,290,835

*Includes future interest

**Excludes statutory liabilities amounting to ₱17.0 million

Market Risk

Market risk is the risk to earnings or capital arising from adverse movements in factors that affect the market value of financial instruments. The Group manages market risks by focusing on two market risk areas such as foreign currency risk and equity price risk.



Foreign currency risk

Exposure to currency risk arises from sales and purchases in currencies other than the Parent Company's functional currency. Foreign currency risk is monitored and analyzed systematically and is managed by the Group. The Group ensures that the financial assets denominated in foreign currencies are sufficient to cover the financial liabilities denominated in foreign currencies.

As of March 31, 2021 and 2020, the foreign currency-denominated financial assets and financial liabilities in original currencies and their Philippine Peso (PHP) equivalents are as follows:

	2021			Equivalents in PHP
	USD	JPY	SGD	
Financial assets				
Cash and cash equivalents	13,817,432	5,252,544	-	672,866,892
Receivables	3,831,380	463,207	-	186,140,312
	17,648,812	5,715,751	-	859,007,204
Financial liabilities				
Accounts payable and accrued expenses	12,761,029	28,385,451	-	631,759,627
	2020			Equivalents in PHP
	USD	JPY	SGD	
Financial assets				
Cash and cash equivalents	20,786,957	1,417,406	-	1,054,153,981
Receivables	2,517,275	5,106,633	-	129,992,977
	23,304,232	6,524,039	-	1,184,146,958
Financial liabilities				
Accounts payable and accrued expenses	11,320,498	188,429,811	28,500	663,947,467

The following tables demonstrate the sensitivity to a reasonably possible change in the US dollar (USD) and Japanese yen (JPY) currency rates, with all variables held constant, of the Group's income before tax from continuing operations (due to changes in the fair value of monetary assets and liabilities).

	Increase/ decrease in USD rate	Effect on income before tax
2021	+8%	₱17,570,675
	-8%	(20,626,444)
2020	+8%	₱44,987,825
	-8%	(52,811,795)
	Increase/ decrease in JPY rate	Effect on income before tax
2021	+7%	(₱651,362)
	-7%	749,416
2020	+7%	(₱5,633,639)
	-7%	6,481,713



The sensitivity analysis has been determined assuming the change in foreign currency exchange rates has occurred at the reporting date and has been applied to the Group's exposure to currency risk for financial instruments in existence at that date, and all other variables, interest rates in particular, remain constant.

The stated changes represent management assessment of reasonable possible changes in foreign exchange rates over the period until the next annual report date.

There is no impact on the Group's equity other than those already affecting profit or loss.

Equity Price Risk

The Group's exposure to equity price pertains to its investments in quoted shares of the Parent Company which are classified as FVOCI in the consolidated statements of financial position. Equity price risk arises from the changes in the level of equity indices and the value of individual stocks traded in the stock exchange.

The effect on equity (as a result of a change in fair value of equity instruments held as financial assets at FVOCI and available-for-sale at March 31, 2021 and 2020, respectively) due to a reasonably possible change in equity indices is not material to the consolidated financial position of the Group.

Fair Value Measurement

The methods used by the Group in estimating the fair value of its assets and liabilities follow:

Cash and cash equivalents, receivables and other assets

Carrying amounts of cash in banks, cash equivalents and receivables maturing within twelve (12) months are assumed to approximate their fair values. This assumption is applied to liquid assets and the short-term elements of all other financial assets.

Financial assets at FVOCI

Fair values are based on quoted prices published in the markets.

Accounts payable and accrued expenses

Carrying amounts of accounts payable and accrued expenses approximate their fair values due to the short-term nature of the transactions.

28. Notes to Statements of Cash Flows

Cash flows from investing activities include acquisitions of property, plant and equipment on account amounting to ₱5.8 million, ₱7.2 million and ₱32.9 million in 2021, 2020 and 2019, respectively (see Notes 7 and 10).

The table below provides for the changes in liabilities from financing activities:

	March 31, 2021			
	Beginning balance	Cash flows	Non-cash changes	Ending balance
Lease liability (Note 8)	₱10,708,792	(₱7,974,503)	₱8,910,672	₱11,644,961
Dividends payable (Notes 10 and 13)	2,513	(63,056,242)	63,059,220	5,491
Total liabilities from financing activities	₱10,711,305	(₱71,030,745)	₱71,969,892	₱11,650,452



March 31, 2020				
	Beginning balance	Cash flows	Non-cash changes	Ending balance
Lease liability (Note 8)	₱25,294,930	(₱15,565,526)	₱979,388	₱10,708,792
Dividends payable (Notes 10 and 13)	-	(88,733,571)	88,736,084	2,513
Total liabilities from financing activities	₱25,294,930	(₱104,299,097)	₱89,715,472	₱10,711,305

March 31, 2019				
	Beginning balance	Cash flows	Non-cash changes	Ending balance
Finance lease liability (Note 21)	₱450,502	(₱450,502)	₱-	₱-
Dividends payable (Note 10)	31,172	(157,155,460)	157,124,288	-
Total liabilities from financing activities	₱481,674	(₱157,605,962)	₱157,124,288	₱-

In 2021 and 2020, the Parent Company recognized right-of-use asset amounting to ₱13.89 million and ₱25.74 million, respectively (see Note 7) and lease liability amounting to ₱13.89 million and ₱25.29 million, respectively (see Note 8).

29. Approval of the Release of Consolidated Financial Statements

The accompanying consolidated financial statements were approved and authorized for issue by the Parent Company's BOD on June 9, 2021.

30. Subsequent Events

On May 20, 2021, the Parent Company's Board of Directors approved the declaration of 52.45% (₱0.5245 per share) cash dividends to stockholders of record as of June 4, 2021 amounting to ₱221.7 million payable on June 25, 2021.

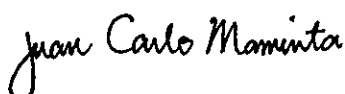


INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
Panasonic Manufacturing Philippines Corporation
Ortigas Avenue Extension
Taytay, Rizal

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Panasonic Manufacturing Philippines Corporation and its Subsidiary (the Group) as at March 31, 2021 and 2020 and for each of the three years in the period ended March 31, 2021, included in this Form 17-A and have issued our report thereon dated June 9, 2021. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the financial information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Juan Carlo B. Maminta
Partner
CPA Certificate No. 115260
Accreditation No. 115260-SEC (Group A)
Valid to cover audit of 2020 to 2024
financial statements of SEC covered institutions
Tax Identification No. 210-320-399
BIR Accreditation No. 08-001998-132-2020,
November 27, 2020, valid until November 26, 2023
PTR No. 8534323, January 4, 2021, Makati City

June 9, 2021



PANASONIC MANUFACTURING PHILIPPINES CORPORATION
SCHEDULES REQUIRED UNDER SECURITIES REGULATION CODE RULE 68

PART 1

- Annex I: Reconciliation of Retained Earnings Available for Dividend Declaration
- Annex II: Map showing the relationships between and among the Company and its Ultimate Parent Company and Subsidiary
- Annex III: Schedule of Financial Soundness Indicators

PART 2

- Schedule A: Financial Assets
- Schedule B: Amounts Receivable from Directors, Officers, Employees and Principal Stockholders (Other than Related Parties)
- Schedule C: Amounts Receivable from Related Parties which are eliminated during the Consolidation of financial statements
- Schedule D: Long-Term Debt
- Schedule E: Indebtedness to Related Parties (Long-Term Loans from Related Companies)
- Schedule F: Guarantees of Securities of Other Issuers
- Schedule G: Capital Stock

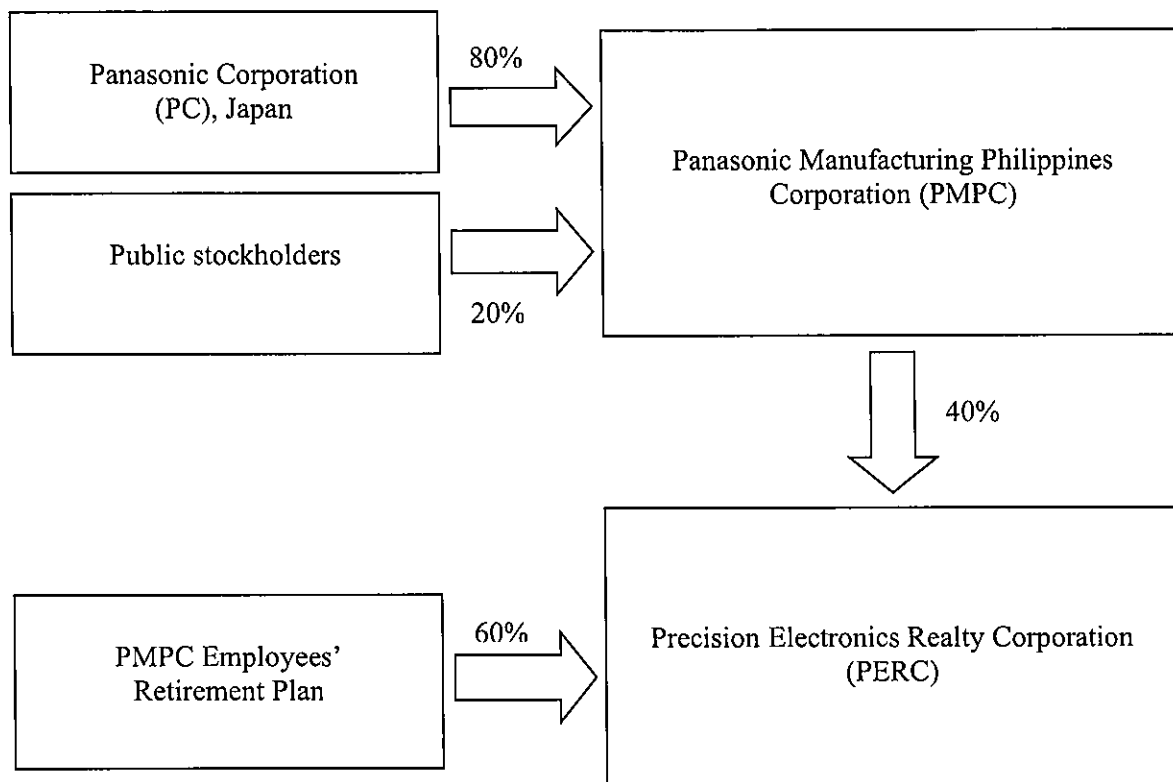
**PANASONIC MANUFACTURING PHILIPPINES
CORPORATION (PARENT COMPANY)**

**SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION
MARCH 31, 2021**

Unappropriated retained earnings, beginning		₱337,852,721	
Adjustments on beginning balance:			
Less: Deferred Tax Asset, beginning	(121,127,586)		
Effect of pooling of interest with NPPI	(64,690,082)		
Unrealized foreign exchange gain - net	(1,945,728)	(187,763,396)	
Unappropriated retained earnings available for dividend declaration, beginning, as adjusted			150,089,325
Add: Net income actually earned/realized during the year:			
Net income during the period closed to retained earnings	356,722,129		
Unrealized foreign exchange gain - net	(1,255,829)		
Provision for deferred tax	25,469,832	380,936,132	
Net income actually earned/realized during the period			531,025,457
Add: Reversal of appropriation	814,494,110		
Less: Appropriations	(864,494,110)		
Dividends declarations during the period	(63,059,220)	(113,059,220)	
Unappropriated retained earnings available for dividend declaration, end			₱417,966,237

PANASONIC MANUFACTURING PHILIPPINES CORPORATION

**MAP SHOWING THE RELATIONSHIPS BETWEEN AND AMONG THE COMPANY AND ITS ULTIMATE PARENT COMPANY AND SUBSIDIARY
MARCH 31, 2021**





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BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Stockholders and the Board of Directors
Panasonic Manufacturing Philippines Corporation
Ortigas Avenue Extension
Taytay, Rizal

We have audited in accordance with Philippine Standards on Auditing, the financial statements of Panasonic Manufacturing Philippines Corporation and its Subsidiary (the Group) as at March 31, 2021 and 2020 and for each of the three years in the period ended March 31, 2021, and have issued our report thereon dated June 9, 2021. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's financial statements as at March 31, 2021 and 2020 and for each of the three years in the period ended March 31, 2021 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Juan Carlo B. Maminta

Partner

CPA Certificate No. 115260

Accreditation No. 115260-SEC (Group A)

Valid to cover audit of 2020 to 2024

financial statements of SEC covered institutions

Tax Identification No. 210-320-399

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November 27, 2020, valid until November 26, 2023

PTR No. 8534323, January 4, 2021, Makati City

June 9, 2021



**PANASONIC MANUFACTURING PHILIPPINES
CORPORATION**

**SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
MARCH 31, 2021**

RATIO	FORMULA	March 31, 2021	March 31, 2020
Current Ratio	Current Assets / Current Liabilities	2.39	2.50
Acid Test Ratio	(Cash Equivalents + Marketable Securities + Receivable) / Current Liabilities	1.76	1.79
Solvency Ratio	Net Income / Total Liabilities	0.10	0.04
Debt to Equity Ratio	Total Liabilities / Total Equity	0.72	0.65
Debt Ratio	Total Liabilities / Total Assets	0.42	0.39
Asset to Equity Ratio	Total Assets / Total Equity	1.72	1.65
Interest Rate Coverage Ratio	EBIT / Interest Expense	1,695.02	246.11
Return on Assets	Net Income / Average Total Assets	0.05	0.03
Return on Equity	Net Income / Average Total Equity	0.08	0.05
Net Profit Margin	Gross Profit / Total Revenue	0.24	0.20

Panasonic Manufacturing Philippines Corporation
Schedule A – Financial Assets
March 31, 2021

Name of Issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the statement of financial position	Valued based on market quotation at end of reporting period	Income received and accrued
<i>Financial assets at FVOCI</i>				
Manila Electric Company	25,164	₱909,821	₱909,821	₱-
Philippine Long Distance Telephone Company	2,850	749,693	749,693	-
	<u>28,014</u>	<u>₱1,659,514</u>	<u>₱1,659,514</u>	<u>₱-</u>

Panasonic Manufacturing Philippines Corporation
Schedule B – Amounts Receivable from Directors, Officers, Employees and Principal Stockholders (Other than Related Parties)
March 31, 2021

Name and Designation of debtor	Balance at beginning of period	Additions	Deductions		Ending Balance		Balance at end of period
			Amounts collected	Amounts written off	Current	Not current	

Nothing to report

Panasonic Manufacturing Philippines Corporation
Schedule C – Amounts Receivable from Related Parties which are eliminated during the Consolidation of financial statements
 March 31, 2021

Name and Designation of debtor	Balance at beginning of period	* Addition	Deductions		Current	Not current	Balance at the end of the period
			Amounts collected	Amounts written off			
Precision Electronics Realty Corporation	P153,990,175	P-	P-	P-	P-	P153,990,175	P153,990,175

**Represents accretion of day 1 difference*

Panasonic Manufacturing Philippines Corporation
Schedule D – Long-Term Debt
March 31, 2021

Title of Issue and type of obligation	Amount authorized by indenture	Amount shown under caption “Current portion of Long-term debt” in related statement of financial position	Amount shown under caption “Long-term Debt” in related statement of financial position
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Nothing to report

Panasonic Manufacturing Philippines Corporation
Schedule E – Indebtedness to Related Parties (Long-Term Loans from Related Companies)
March 31, 2021

Name of related party	Balance at beginning of period	Balance at end of period
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Nothing to report

Panasonic Manufacturing Philippines Corporation
Schedule F – Guarantees of Securities of Other Issuers
 March 31, 2021

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by persons for which statement is filed	Nature of guarantee
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Nothing to report

Panasonic Manufacturing Philippines Corporation
Schedule G – Capital Stock
March 31, 2021

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under the related statement of financial position caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by		
				Related parties	Directors, officers and employees	Others
Panasonic Manufacturing Philippines Corporation- Common	847,000,000	422,718,020	-	359,580,941	96,015	63,041,064