

Panasonic

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, 2020, 2019 and 2018, 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 27th day of July, 2020

SUBSCRIBED AND SWORN to before me this _____
affiants exhibiting to me their passport numbers as follows:

JUL 28 2020

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. 293
Page No. 56
Book No. XI
Series of 2020


ATTY. JOHN KENNETH T. MORFNO
NOTARY PUBLIC
Roll No. 35640
IBP No. 079537 - 2 April 2019
PTR No. 13692793 - 2 Jan. 2020
MCLE No. VI-0029169 - 5 Nov. 2019
Appt. No. 20-20 - 20 Dec. 2019
Until Dec. 31, 2021
For Antipolo City, Taytay, Calinta
Province of Rizal

COVER SHEET

for AUDITED FINANCIAL STATEMENTS

SEC Registration Number

2 3 0 2 2

COMPANY NAMEP A N A S O N I C M A N U F A C T U R I N G P H I L I P
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
i o M a p a n d a n , B a r a n g a y S a n I s i d
r o , T a y t a y , 1 9 2 0 , R i z a l

Form Type

A F S

Department requiring the report

Secondary License Type, If Applicable

N / A

COMPANY INFORMATION

Company's Email Address

www.panasonic.com/ph

Company's Telephone Number

635-2260 to 65

Mobile Number

N/A

No. of Stockholders

453

Annual Meeting (Month / Day)

August 26

Fiscal Year (Month / Day)

March 31

CONTACT PERSON INFORMATIONThe designated contact person **MUST** be an Officer of the Corporation

Name of Contact Person

Ms. Julieta Beltran

Email Address

julieta.beltran@ph.panasonic.com

Telephone Number/s

635-2260 to 65

Mobile Number

(+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, 2020 and 2019, 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, 2020, 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, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended March 31, 2020 in accordance with Philippine Financial Reporting Standards (PFRSs).

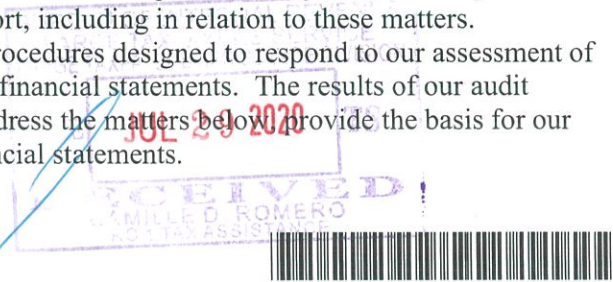
Basis for Opinion

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.



Adoption of PFRS 16, Leases

Effective April 1, 2019, the Group adopted PFRS 16, *Leases*, under the modified retrospective approach which resulted in significant changes in the Group's accounting policy for leases. The Group's adoption of PFRS 16 is significant to our audit because the recorded amounts are material to the consolidated financial statements and adoption involves application of significant judgment and estimation in determining the incremental borrowing rate. This resulted in the recognition of right of use assets and lease liability amounting to ₱25,739,710 and ₱25,294,930, respectively, as of April 1, 2019, and the recognition of depreciation expense and interest expense of ₱14,963,151 and ₱979,388, respectively, for the year ended March 31, 2020.

The disclosures related to the adoption of PFRS 16 are included in Notes 2, 7 and 8 to the consolidated financial statements.

Audit response

We obtained an understanding of the Group's process in implementing the new standard on leases, including the determination of the population of the lease contracts covered by PFRS 16, the application of the short-term and low value assets exemption, the selection of the transition approach and any election of available practical expedients.

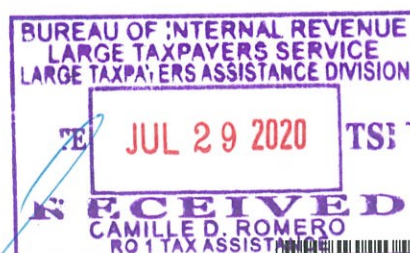
We tested the completeness of the population of lease agreements by comparing the number of leases per operational report against the database. On a test basis, we inspected lease agreements (i.e., lease agreements existing prior to the adoption of PFRS 16 and new lease agreements), identified the contractual terms and conditions, and traced these contractual terms and conditions to the lease calculation prepared by management, which covers the financial impact of PFRS 16, including the transition adjustments.

We tested the parameters used in the determination of the incremental borrowing rate by reference to market data. We test computed the lease calculation prepared by management on a sample basis, including the transition adjustments.

We reviewed the disclosures related to the transition adjustments based on the requirements of PFRS 16 and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*.

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 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.



The relevant accounting policy and a 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 in the consolidated statement of financial position 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 also tested the mathematical accuracy of management's calculation of warranty claims. We involved our internal specialist in the evaluation of management's assessment on whether any provision for contingencies should be recognized, and the estimation of such amount. We discussed the status of the claims with management and obtained correspondences of the Group with the regulatory bodies and opinions from the external legal counsel. We evaluated the position of the Group by considering the statutes 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, 2020, 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, 2020 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 B. Maminta

Partner

CPA Certificate No. 115260

SEC Accreditation No. 1699-A (Group A),

August 16, 2018, valid until August 15, 2021

Tax Identification No. 210-320-399

BIR Accreditation No. 08-001998-132-2018,

February 9, 2018, valid until February 8, 2021

PTR No. 8125258, January 7, 2020, Makati City

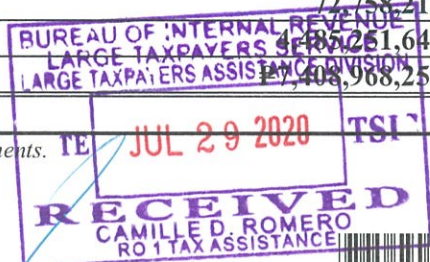
July 28, 2020



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

	March 31	
	2020	2019
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	P2,945,349,793	P2,831,509,371
Receivables (Note 5)	1,440,042,700	1,667,305,169
Inventories (Note 6)	1,654,053,222	1,637,438,734
Other current assets (Note 9)	91,857,986	127,904,065
Total Current Assets	6,131,303,701	6,264,157,339
Noncurrent Assets		
Property, plant and equipment (Note 7)	1,083,329,310	969,013,831
Deferred tax assets – net (Note 23)	168,745,041	112,090,482
Other noncurrent assets (Note 9)	25,590,201	31,324,445
Total Noncurrent Assets	1,277,664,552	1,112,428,758
	P7,408,968,253	P7,376,586,097
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Note 10)	P2,365,479,331	P2,354,706,029
Lease liabilities – current portion (Note 8)	8,986,996	–
Income tax payable	–	2,714,547
Other current liabilities (Note 11)	79,472,587	86,064,919
Total Current Liabilities	2,453,938,914	2,443,485,495
Noncurrent Liabilities		
Retirement liability (Note 11)	122,592,066	101,637,974
Lease liabilities – net of current portion (Note 8)	1,721,796	–
Other noncurrent liabilities (Note 11)	345,463,836	318,620,433
Total Noncurrent Liabilities	469,777,698	420,258,407
	2,923,716,612	2,863,743,902
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)	(146,240,284)	(80,929,594)
Retained earnings (Note 13)		
Appropriated	3,792,400,000	3,742,400,000
Unappropriated	338,835,931	351,505,101
	4,412,493,429	4,440,473,289
Non-controlling Interest	72,758,212	72,368,906
Total Equity	4,485,251,641	4,512,842,195
	P7,408,968,253	P7,376,586,097

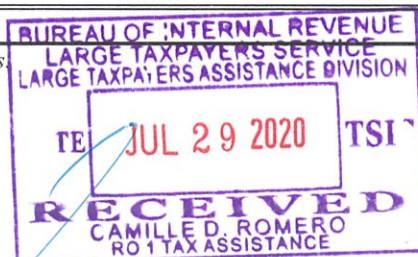
See accompanying Notes to Consolidated Financial Statements.



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

	Years Ended March 31		
	2020	2019	2018
NET SALES (Note 26)	₱11,906,948,322	₱11,520,813,753	₱10,490,076,674
COST OF GOODS SOLD (Notes 14 and 26)	(9,508,271,446)	(9,267,009,913)	(8,478,203,295)
GROSS PROFIT	2,398,676,876	2,253,803,840	2,011,873,379
SELLING EXPENSES (Notes 15 and 26)	(1,265,826,533)	(983,828,140)	(897,540,823)
GENERAL AND ADMINISTRATIVE EXPENSES (Notes 16 and 26)	(1,045,314,839)	(1,103,257,249)	(949,815,534)
OTHER INCOME – net (Notes 20 and 26)	152,519,987	107,872,735	152,397,846
INCOME BEFORE INCOME TAX	240,055,491	274,591,186	316,914,868
PROVISION FOR INCOME TAX (Note 23)	(113,599,271)	(126,070,051)	(52,882,506)
NET INCOME	126,456,220	148,521,135	264,032,362
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)	(62,111,145)	(68,747,698)	57,210,524
Unrealized gain (loss) on financial assets at fair value through other comprehensive income (Note 9)	(3,199,545)	2,444,125	–
TOTAL COMPREHENSIVE INCOME	₱61,145,530	₱82,217,562	₱321,242,886
Net income attributable to:			
Equity holders of the Parent Company (Note 25)	₱126,066,914	₱148,144,539	₱262,726,845
Non-controlling interest	389,306	376,596	1,305,517
	₱126,456,220	₱148,521,135	₱264,032,362
Total comprehensive income attributable to:			
Equity holders of the Parent Company	₱60,756,224	₱81,840,966	₱319,937,369
Non-controlling interest	389,306	376,596	1,305,517
	₱61,145,530	₱82,217,562	₱321,242,886
Basic/diluted earnings per share (Note 25)	₱0.30	₱0.35	₱0.62

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

	Net Unrealized Remeasurement										Total
	Capital Stock (Note 12)	Additional Paid-in Capital (Note 12)	Net Unrealized Gains on AFS Investments (Note 9)	Net Unrealized Gains on Financial Assets at FVOCI (Note 9)	Loss on Retirement Liability (Note 11)	Appropriated Retained Earnings (Note 13)	Unappropriated Retained Earnings (Note 13)	Total	Non-controlling Interest	Total	
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)	(798,825,280)	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	
Balances at April 1, 2017	₱422,718,020	₱4,779,762	₱1,380,968	₱-	(₱73,217,513)	₱3,427,400,000	₱416,108,890	₱4,199,170,127	₱70,686,793	₱4,269,856,920	
Total comprehensive income	-	-	-	-	57,210,524	(417,614,623)	262,726,845	319,937,369	1,305,517	321,242,886	
Reversals of appropriation (Note 13)	-	-	-	-	-	682,614,623	(682,614,623)	-	-	-	
Appropriations (Note 13)	-	-	-	-	-	-	(682,614,623)	-	-	-	
Balances at March 31, 2018	₱422,718,020	₱4,779,762	₱1,380,968	₱-	(₱16,006,989)	₱3,692,400,000	₱413,835,735	₱4,519,107,496	₱71,992,310	₱4,591,099,806	

See accompanying Notes to Consolidated Financial Statements.



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

	Years Ended March 31		
	2020	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	₱240,055,491	₱274,591,186	₱316,914,868
Adjustments for:			
Depreciation and amortization (Note 18)	259,286,292	203,400,308	175,870,412
Provision for inventory write-down (Note 14)	107,445,039	79,432,386	16,474,886
Interest income (Notes 4 and 20)	(73,510,148)	(68,853,694)	(55,385,281)
Retirement and other long-term employee benefits expense (Notes 11 and 17)	34,946,121	26,874,278	27,262,228
Provision for warranty claims and estimated liabilities (Note 11)	25,118,992	176,048,662	51,895,109
Unrealized foreign currency exchange (gain) loss (Notes 4, 5 and 10)	4,070,446	(11,837,158)	1,362,099
Interest on lease liability (Note 16)	979,388	-	-
Provision for (net recovery from) credit and impairment losses (Notes 5, 16 and 20)	(598,229)	526,315	(23,034,700)
Gain on disposal/retirement of property, plant and equipment and software (Note 20)	-	(154,482)	-
Operating income before changes in working capital	597,793,392	680,027,801	511,359,621
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Receivables	225,651,921	(477,570,556)	(150,125,766)
Inventories	(124,059,527)	(384,350,014)	(338,032,398)
Other current assets	98,611,719	6,964,457	15,943,515
Increase (decrease) in:			
Accounts payable and accrued expenses	(706,818)	188,001,522	281,558,509
Other liabilities	(700,584)	-	(48,650,167)
Net cash generated from (used in) operations	796,590,103	13,073,210	272,053,314
Income taxes paid	(198,893,173)	(210,090,566)	(112,444,381)
Interest received from bank deposits (Notes 4 and 20)	75,385,714	70,426,202	60,525,281
Contributions to the retirement fund (Note 11)	(101,637,974)	-	-
Other retirement liability and long-term employee benefits paid (Note 11)	(1,954,676)	(11,057,192)	(2,362,171)
Net cash provided by (used in) operating activities	569,489,994	(137,648,346)	217,772,043
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Property, plant and equipment (Notes 7 and 28)	(339,762,980)	(253,149,528)	(142,897,625)
Software (Note 9)	(1,458,326)	-	(4,532,991)
Proceeds from disposal of property, plant and equipment (Note 7)	360,270	2,786,367	1,858,414
Decrease (increase) in noncurrent other assets (Note 9)	(5,452,653)	4,713,210	(6,264,225)
Net cash used in investing activities	(346,313,689)	(245,649,951)	(151,836,427)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash dividends paid (Notes 13 and 28)		(35,460)	(295,888,744)
Payment of principal portion of lease liability (Note 28)	(14,586,138)	(450,502)	(2,305,344)
Cash used in financing activities	(103,319,709)	(151,605,962)	(298,194,088)

(Forward)



	Years Ended March 31		
	2020	2019	2018
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS (Note 4)	(₱6,016,174)	₱16,333,796	₱1,688,352
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	113,840,422	(524,570,463)	(230,570,120)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	2,831,509,371	3,356,079,834	3,586,649,954
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	₱2,945,349,793	₱2,831,509,371	₱3,356,079,834

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 is 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.

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).

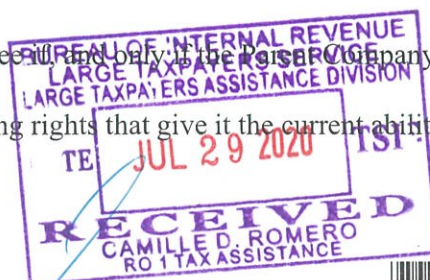
Basis of Consolidation

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 summarized financial information of PERC is provided below. The information is based on amounts before intercompany eliminations.

	2020	2019
<i>Summarized financial position information</i>		
Total current assets	₱45,999,030	₱42,191,574
Total noncurrent assets	233,177,867	233,177,867
Total current liabilities	3,923,029	764,417
Total noncurrent liabilities	153,990,175	153,990,175
Total equity	121,263,693	120,614,849
<i>Summarized comprehensive income information</i>		
Revenues	29,716,169	29,613,642
Cost and expenses - net	28,504,262	28,444,491
Income before income tax	1,211,907	1,169,151
Provision for income tax	563,063	541,491
Total comprehensive income	₱648,844	₱627,660
<i>Summarized cash flow information</i>		
	2020	2019
Operating	₱2,255,855	(₱608,237)
Net increase (decrease) in cash and cash equivalents	₱2,255,855	(₱608,237)

Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial years, except that the Group has adopted the following PFRSs and Philippine Accounting Standards (PAS) and Philippine Interpretations beginning April 1, 2019. The adoption of the new and amended standards and interpretations did not have any impact on the consolidated financial statements of the Group unless otherwise indicated.

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*
- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*
- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*
- *Annual Improvements to PFRSs 2015-2017 Cycle*
 - Amendments to PFRS 3, *Business Combinations*, and PFRS 11, *Joint Arrangements, Previously Held Interest in a Joint Operation*
 - Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*
 - Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*

The standards adopted that are deemed to have significant impact on the financial statements or performance of the Group are described below:

- PFRS 16, *Leases*
PFRS 16 supersedes PAS 17, *Leases*, Philippine Interpretation IFRIC 4, *Determining whether an Arrangement contains a Lease*, Philippine Interpretation SIC-15, *Operating Leases-Incentives* and Philippine Interpretation SIC-27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize most leases on the balance sheet.



Lessor accounting under PFRS 16 is substantially unchanged from PAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in PAS 17. Therefore, PFRS 16 did not have an impact for leases where the Group is the lessor.

The Group has various lease contracts for various office space and warehouses. Prior to adoption of PFRS 16, the Group classified each of its leases (as lessee) at the inception date as operating lease.

Upon adoption of PFRS 16, the Group applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. Refer to the accounting policies in section *Leases*.

The Company adopted PFRS 16 using the modified retrospective approach and applied certain transition reliefs with the date of initial application on April 1, 2019. The Group elected to use the practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying the old standards at the date of initial application. The Group also elected to use recognition exemptions for lease contracts that have lease term of twelve (12) months or less and do not contain a purchase option ('short-term leases'), and for which the underlying assets are of low value ('low-value assets').

Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate (IBR) at the date of initial application. The right-of-use (ROU) assets were recognized based on the amount equal to lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognized.

The Group has also applied the following practical expedients, apart from those already mentioned above, as permitted by the standard, wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application

As a result of the adoption of PFRS 16, the Group aligned the estimated useful life of its leasehold improvements based on the legal or similar limits on the use (i.e., noncancelable portion of the lease term).

The effect of adopting PFRS 16 in the statement of financial position of the Group as at April 1, 2019 follow:

	Increase/ (Decrease)
ASSETS	
Right-of-use assets (Note 7)	₱25,739,710
Prepaid rent (included in 'Other noncurrent assets')	(444,780)
	<u>₱25,294,930</u>
LIABILITIES	
Lease liability (Note 8)	₱25,294,930
	<u>₱25,294,930</u>



The lease liability as at April 1, 2019 can be reconciled to the operating lease commitments as of March 31, 2019, as follows:

Operating lease commitments as at March 31, 2019	₱27,306,993
Less: Commitments relating to leases of short-term and low-value assets	(693,741)
Total gross lease payables as of April 1, 2019	26,613,252
Weighted average incremental borrowing rate as at April 1, 2019	5.91%
Lease liability as at April 1, 2019	₱25,294,930

- Philippine Interpretation IFRIC 23, *Uncertainty over Income Tax Treatment*
The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12, *Income Taxes*. It does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:
 - Whether an entity considers uncertain tax treatments separately
 - The assumptions an entity makes about the examination of tax treatments by taxation authorities
 - How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
 - How an entity considers changes in facts and circumstances

The Group determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty. The Group assumes that the taxation authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the Group concludes that it is not probable that the taxation authority will accept an uncertain tax treatment, the Group shall reflect the effect of the uncertainty for each uncertain tax treatment using the method the Group expects to better predict the resolution of the uncertainty.

Upon adoption of the Interpretation, the Group considered whether it has any uncertain tax positions. The Group determined that, based on its tax compliance, it is probable that its tax treatments will be accepted by the taxation authorities. The Interpretation did not have an impact on the financial statements of the Group.

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

For all periods up to and including the year ended March 31, 2018, the Group accounted for financial instruments under PAS 39, *Financial Instruments: Recognition and Measurement*. For the years ended March 31, 2020 and 2019, the Group accounted for financial instruments in accordance with PFRS 9, *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, 2020 and 2019, 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 2020, 2019 and 2018, 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, 2020 and 2019 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 (policy applicable on or after April 1, 2018)

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.

Impairment of Financial Assets (policy applicable prior to April 1, 2018)

The Group assesses at each reporting date whether a financial asset or group of financial assets is impaired. A financial asset or a group of financial asset is deemed to be impaired if, and only if, there is objective criteria of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence includes observable data that comes to the attention of the Group about loss events such as, but not limited to, significant financial difficulty of the counterparty, a breach of contract, such as a default or delinquency in interest or principal payments, probability that the borrower will enter bankruptcy or other financial reorganization.

Loans and receivables

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant and collectively for financial assets that are not individually significant. If there is an objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognized in profit or loss in the consolidated statement of comprehensive income.



If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtor's ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of credit risk characteristics such as industry, past due status and term.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in the profit or loss. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral, if any, has been realized or has been transferred to the Group. If in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance for impairment losses account.

If a future write-off is later recovered, the recovery is recognized in profit or loss under 'Other income – net' account. Any subsequent reversal of an impairment loss is recognized in profit or loss as reversal of allowance for doubtful accounts, to the extent that the carrying value of the asset does not exceed its amortized cost at reversal date.

AFS investments

In case of equity instruments classified as AFS investments, objective evidence would include a significant or prolonged decline in the fair value of the investments below its cost. The determination of what is significant and prolonged is subject to judgment. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. The Group treats 'significant' generally as 20% or more and 'prolonged' as greater than 12 months for quoted equity securities. When there is evidence of impairment, an amount comprising the difference between its cost and its current fair value, less any impairment loss previously recognized under profit or loss, is transferred from other comprehensive income to profit or loss. Impairment losses on equity investments are not reversed through current operations. Increases in fair value after impairment are recognized as other comprehensive income.

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, 2020 and 2019.

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.

Financial Instruments (policy applicable prior to April 1, 2018)

Date of recognition

The Group recognizes a financial asset or financial liability in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date, the date that an asset is delivered to or by the Group. Settlement date accounting refers to (a) the recognition of an



asset on the day it is received by the Group, and (b) the derecognition of an asset and recognition of any gain or loss on disposal on the day that it is delivered by the Group.

Initial recognition and classification of financial instruments

All financial instruments are initially measured at fair value. Except for financial instruments carried at fair value through profit or loss (FVPL), the initial measurement of financial instruments includes transaction costs. The Group classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, AFS investments and loans and receivables. Financial liabilities are classified into financial liabilities at FVPL and other financial liabilities.

The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

The Group has no financial assets and liabilities at FVPL and HTM investments as of March 31, 2018.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

AFS investments

AFS investments are non-derivative financial assets that are designated as such or do not qualify to be classified or designated as FVPL, HTM or loans and receivables. They are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions.

When an AFS investment is disposed of, the cumulative gain or loss previously recognized under other comprehensive income is recognized in current operations. The losses arising from impairment of such investments are recognized in profit or loss in the consolidated statement of comprehensive income.

AFS investments are classified as current assets when it is expected to be sold or realized within twelve months after the reporting date or within the normal operating cycle, whichever is longer.

The Group's AFS investments include investments in unquoted equity shares.

Loans and receivables

Loans and receivables include non-derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market and for which the Group has no intention of trading. After initial recognition, loans and receivables are subsequently stated at their amortized cost, reduced by accumulated credit losses, if any.

Loans and receivables are included in current assets if maturity is within 12 months from the reporting date. Otherwise, these are classified as noncurrent assets.

This accounting policy applies to the Group's cash and cash equivalents, receivables and other noncurrent assets.

Other financial liabilities

This category pertains to financial liabilities that are not held for trading or not designated as FVPL upon the inception of the liability. These include liabilities arising from operations or borrowings. The financial liabilities are recognized initially at fair value and are subsequently carried at amortized



cost, taking into account the impact of applying the effective interest rate method of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs.

Other financial liabilities are classified as current liabilities when it is expected to be settled within twelve months from the reporting date or the Group does not have an unconditional right to defer settlement for at least twelve months from reporting date.

This accounting policy applies primarily to the Group's accounts payable and accrued expenses.

Derecognition of Financial Instruments

Financial assets

A financial asset or, where applicable, a part of a financial asset or a part of a group of similar financial assets is derecognized when:

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

Where the Group has transferred its right to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liability

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

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

Policies applicable beginning April 1, 2019

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 of two (2) years 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' 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.

Policies applicable prior to April 1, 2019

The determination of whether an arrangement is, or contains a lease, is based on the substance of the arrangement at inception date whether the fulfillment of the arrangement is dependent on the use of a specific asset or the arrangement conveys a right to use the asset.

A reassessment is made only after inception of the lease if one of the following applies:

- a) There is a change in contractual terms, other than a renewal or extension of the arrangement;
- b) A renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;
- c) There is a change in the determination of whether fulfillment is dependent on a specified asset;
- d) There is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c) or (d) above, and at the date of renewal or extension period for scenario (b).

The Parent Company as a lessee

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in profit or loss on a straight-line basis over the lease term.

Finance leases, which transfer to the Parent Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against profit or loss.



The Group as a lessor

Leases where the Group retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as income in profit or loss on a straight-line basis over the lease term.

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

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.

Revenue Recognition (Prior to adoption of PFRS 15)

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured regardless of when payment is being made. Revenue is measured at the fair value of the consideration received net of discounts, sales taxes and duties. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as principal in all of its revenue arrangements.

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

Sale of goods

Revenue from sale of goods is recognized when significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of goods. Revenue from sale of goods is



measured at the fair value of the considerations received or receivable, net of returns and allowances, trade discounts and volume rebates which include estimated discounts.

Service income

Service income is recognized when the related qualifying services have been rendered by the group.

Sale of scrap

Income from sale of scrap is recognized when the significant risk and rewards of ownership of the scrap have passed to the buyer and the amount of revenue can be measured reliably.

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.

Effective April 1, 2019, 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 Group does not expect that the future adoption of the said pronouncements will have a significant impact on its consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.



Effective in fiscal year 2020

- *Amendments to PFRS 3, Definition of a Business*
The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

An entity applies those amendments prospectively for annual reporting periods beginning on or after April 1, 2020, with earlier application permitted.

These amendments will apply on future business combinations of the Group.

- *Amendments to PAS 1, Presentation of Financial Statements, and PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*
The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements.

An entity applies those amendments prospectively for annual reporting periods beginning on or after April 1, 2020, with earlier application permitted.

Effective beginning on or after June 1, 2020

- *Amendments to PFRS 16, COVID-19-related Rent Concessions*
The amendments provide relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:

- The rent concession is a direct consequence of COVID-19;
- The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
- Any reduction in lease payments affects only payments originally due on or before June 30, 2021; and
- There is no substantive change to other terms and conditions of the lease.

A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

The amendments are effective for annual reporting periods beginning on or after June 1, 2020. Early adoption is permitted.

Effective in fiscal year 2023

- *PFRS 17, Insurance Contracts*
PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4,



Insurance Contracts. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects.

The core of PFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

PFRS 17 is effective for reporting periods beginning on or after January 1, 2023, with comparative figures required. Early application is permitted.

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*

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

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 B2B 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 B2C 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 ₱403.0 million and ₱385.2 million as of March 31, 2020 and 2019, 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, 2020 and 2019 amounted to ₱1.7 billion and ₱1.6 billion, respectively (see Note 6). The amount of provision for inventory write-down included under cost of goods sold amounted to ₱107.4 million, ₱79.4 million and ₱16.4 million in 2020, 2019 and 2018, 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 ₱1.7 billion as at March 31, 2020 and 2019, 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 ₱122.6 million and ₱101.6 million as of March 31, 2020 and 2019, 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 ₱168.7 million and ₱112.1 million as of March 31, 2020 and 2019, respectively. The Group did not recognize deferred tax asset on other temporary differences as of March 31, 2020 and 2019 since management believes that the benefit from such asset will not be realized in the future (see Note 23).

g. Leases

Applicable beginning April 1, 2019

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 weighted-average incremental borrowing rate for lease liabilities initially recognized as of April 1, 2019 was 5.91% per annum.

The carrying amount of lease liabilities is ₱10.7 million at March 31, 2020 (see Note 8)

Applicable prior April 1, 2019

Classification of leases

In arrangements that are, or contain, leases, the Group determines based on an evaluation of the terms and conditions of the arrangements whether or not the lessor retains all the significant risks and rewards of ownership of the properties which are leased out.

In classifying such arrangements as operating leases, the Group considers the following:

- the lease does not transfer ownership of the asset to the lessee by the end of the lease term;
- the lessee has no option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option is exercisable;
- the present value of the minimum lease payments is substantially lower than the fair value of the leased asset;



- the losses associated with any cancellation of the lease are borne by the lessor; and
- the lease term is not for the major part of the asset's economic useful life.

When the above terms and provisions do not apply, the Group classifies the lease arrangements as finance leases.

4. Cash and Cash Equivalents

This account consists of:

	2020	2019
Cash in banks	P634,292,276	P615,908,344
Cash equivalents	2,311,057,517	2,215,601,027
	P2,945,349,793	P2,831,509,371

Cash in banks earned annual interest ranging from 0.05% to 0.50% and 0.5% to 2.0% in 2020 and 2019, 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 0.6% to 2.6% in 2020, 0.5% to 2.0% in 2019 and from 0.5% to 2.6% in 2018.

Interest income from cash in banks and cash equivalents amounted to P73.5 million, P68.9 million and P55.4 million in 2020, 2019 and 2018, respectively (see Note 20). Unrealized foreign exchange gain (loss) resulting from translation of foreign currency-denominated cash in banks into Philippine peso amounted to (P6.0 million), P16.3 million and P1.7 million in 2020, 2019 and 2018, respectively. Realized foreign exchange loss resulting from translation of foreign currency-denominated cash in banks into Philippine peso amounted to P24.0 million, P34.6 million and P11.3 million in 2020, 2019 and 2018, respectively (see note 20).

5. Receivables

This account consists of:

	2020	2019
Trade		
Domestic	P1,219,746,211	P1,326,253,654
Export (Note 21)	108,537,336	266,709,978
Non-trade		
Related parties (Note 21)	63,801,390	24,708,764
Employees	14,468,347	3,130,455
Third parties	3,023,489	47,880,453
Others	34,793,698	3,547,865
	1,444,370,471	1,672,231,169
Less allowance for credit losses	(4,327,771)	(4,926,000)
	P1,440,042,700	P1,667,305,169

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 2020 and 2019 follow:

	2020	2019
Balances at beginning of year	₱4,926,000	₱4,739,000
Provision for (recovery from) credit losses (Notes 16 and 20)	(598,229)	526,315
Write-off	-	(339,315)
Balances at end of year	₱4,327,771	₱4,926,000

Unrealized foreign exchange gain (loss) on translation of receivables amounted to (₱0.3 million), ₱1.8 million and ₱0.3 million in 2020, 2019 and 2018, respectively. Realized foreign exchange gain (loss) on translation of receivables amounted to (₱1.0 million), (₱1.4 million) and ₱2.7 million in 2020, 2019 and 2018, respectively (see Note 20).

6. Inventories

This account consists of:

	2020	2019
At NRV:		
Finished goods and merchandise	₱1,312,585	₱17,294,276
At cost:		
Finished goods and merchandise	1,001,546,666	1,084,067,095
Raw materials	602,944,562	500,142,019
Supplies	33,814,742	25,370,596
Goods in process	14,434,667	10,564,748
	1,652,740,637	1,620,144,458
	₱1,654,053,222	₱1,637,438,734

The related cost of inventories recorded at NRV amounted to ₱26.82 million and ₱38.4 million as of March 31, 2020 and 2019, respectively. The amount of write-down of inventories included under cost of goods sold amounted to ₱107.4 million, ₱79.4 million and ₱16.4 million in 2020, 2019 and 2018, respectively (see Note 14). The amount of inventories recognized in cost of goods sold during the year amounted to ₱9.5 billion, ₱9.3 billion and ₱8.5 billion in 2020, 2019 and 2018, respectively (see Note 14).

7. Property, Plant and Equipment

The rollforward of this account follows:

	2020							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	₱1,754,237,442	₱1,096,458,676	₱170,127,243	₱137,481,609	₱90,102,116	₱-	₱3,484,436,248
Effect of PFRS 16	-	-	-	-	-	-	25,739,710	25,739,710
Balance at beginning of year, as restated	236,029,162	1,754,237,442	1,096,458,676	170,127,243	137,481,609	90,102,116	25,739,710	3,510,175,958
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 from CIP	-	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

(Forward)



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
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	₱233,177,867	₱399,996,508	₱388,705,494	₱15,649,093	₱24,580,445	₱10,443,344	10,776,559	₱1,083,329,310

2019							
	Land and Land Improvements	Factory Machinery, Equipment and Tools	Buildings and Improvements	Office Furniture, Fixtures and Equipment	Transportation Equipment	Construction in Progress	Total
Cost							
Balances at beginning of year	₱236,029,162	₱1,556,367,620	₱869,189,302	₱165,701,292	₱133,881,290	₱80,898,084	₱3,042,066,750
Acquisitions (Note 28)	-	27,035,356	6,411,250	11,467,165	5,976,743	235,176,270	286,066,784
Retirements/disposals	-	(21,236,209)	(5,519,305)	(7,074,393)	(2,376,424)	-	(36,206,331)
Reclassifications from investment properties	-	-	192,509,045	-	-	-	192,509,045
Reclassifications from CIP	-	192,070,675	33,868,384	33,179	-	(225,972,238)	-
Balances at end of year	236,029,162	1,754,237,442	1,096,458,676	170,127,243	137,481,609	90,102,116	3,484,436,248
Accumulated depreciation							
Balances at beginning of year	2,851,295	1,348,519,112	581,857,875	153,526,140	99,235,943	-	2,185,990,365
Depreciation (Note 18)	-	127,564,196	47,767,687	11,223,297	15,333,610	-	201,888,790
Retirements/disposals	-	(19,070,298)	(5,519,305)	(7,020,732)	(1,964,111)	-	(33,574,446)
Reclassifications from investment properties	-	-	161,117,708	-	-	-	161,117,708
Balances at end of year	2,851,295	1,457,013,010	785,223,965	157,728,705	112,605,442	-	2,515,422,417
Net book value	₱233,177,867	₱297,224,432	₱311,234,711	₱12,398,538	₱24,876,167	₱90,102,116	₱969,013,831

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.

In 2019, the Parent Company transferred investment properties to property, plant and equipment for its use in operations with cost and related accumulated depreciation amounting to ₱192.5 million and ₱161.1 million, respectively.

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. As of March 31, 2019, the Group's construction in progress pertains to the improvements of factory machinery and equipment due to the increase of production volume capacity in its Washing Machine Division, as well as in its General Engineering Division due to building renovation of Washing Machine and Electric Fan Production.

Additions in property, plant and equipment acquired on account amounted to ₱7.2 million and ₱32.9 million in 2020 and 2019, respectively (see Notes 10 and 28). Gain on disposal and retirement of property, plant and equipment amounted to nil in 2020 and 2018 and ₱0.2 million in 2019 (see Note 20). Considerations received from the disposal and retirement of property, plant and equipment amounted to ₱0.4 million, ₱2.8 million and ₱1.9 million in 2020, 2019 and 2018, 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) year 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 ₱2.6 million, ₱35.2 million and ₱31.2 million, respectively in 2020, 2019 and 2018, respectively (see Notes 14 and 16). Rent expense in 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:

	2020
Depreciation expense of right-of-use assets	₱14,963,151
Interest expense on lease liabilities	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)	2,417,700
Total amount recognized in statement of comprehensive income	₱18,493,439

The rollforward of lease liability follows:

	2020
Balance at beginning of year	₱25,294,930
Additions	-
Interest expense (Note 16)	979,388
Payments	(15,565,526)
Balance at end of year	₱10,708,792

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

	2020
Current lease liabilities	₱8,986,996
Noncurrent lease liabilities	1,721,796
	₱10,708,792

Shown below is the maturity analysis of the undiscounted lease payments as of March 31, 2020 and 2019:

	2020	2019
Within one (1) year	₱9,855,562	₱16,133,362
More than one (1) year	1,885,905	11,173,631
	₱11,741,467	₱27,306,993

Parent Company as a Lessor

In 2018, the Parent Company has an operating lease agreement for certain buildings and building improvements with PIDPH. The existing contract is effective from March 1, 2016 to February 28, 2018. On March 1, 2018, the lease agreement for specific building and building



improvements was extended for one month until March 31, 2018. The contract was not renewed subsequent to expiration.

Rent income recognized in 2018 amounted to ₱25.2 million (see Note 20).

9. Other Current Assets and Other Noncurrent Assets

Other current assets consist of the following:

	2020	2019
Prepaid expenses	₱39,226,998	₱42,655,909
Creditable withholding taxes (CWTs)	33,886,458	87,253,322
Value-added input tax	11,413,308	-
Advances to employees	10,831,222	1,494,834
	95,357,986	131,404,065
Less allowance for impairment losses	3,500,000	3,500,000
	₱91,857,986	₱127,904,065

Other noncurrent assets consist of the following:

	2020	2019
Deposits	₱19,115,475	₱18,331,355
Software	2,635,531	2,472,342
Deferred input VAT	2,253,157	5,735,165
Financial assets at FVOCI	1,586,038	4,785,583
	₱25,590,201	₱31,324,445

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:

	2020	2019
Cost		
Balances at beginning of year	₱108,992,460	₱115,010,349
Additions	1,458,326	-
Write-off	(351,100)	(6,017,889)
Balances at end of year	110,099,686	108,992,460
Accumulated amortization		
Balances at beginning of year	106,520,118	111,026,489
Amortization (Note 18)	1,295,137	1,511,518
Written-off	(351,100)	(6,017,889)
Balances at end of year	107,464,155	106,520,118
Net book value	₱2,635,531	₱2,472,342



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 ₱3.2 million loss in 2020, ₱2.4 million gain in 2019 and nil in 2018. 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 and AFS investments amounted to nil in 2020, 2019 and 2018.

10. Accounts Payable and Accrued Expenses

Accounts payable consist of:

	2020	2019
Trade		
Related parties (Note 21)	₱209,302,448	₱446,690,574
Third parties	317,127,826	460,321,519
Non-trade		
Related parties (Note 21)	111,919,979	111,533,777
Third parties	7,164,214	32,917,256
Accrued expenses		
Third parties	1,659,084,633	1,220,131,539
Related parties (Note 21)	19,923,398	25,962,559
Others		
Advances from customers	40,954,320	36,734,289
Dividends payable (Notes 13 and 21)	2,513	-
Output VAT – net	-	20,414,516
	₱2,365,479,331	₱2,354,706,029

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

Accrued expenses to third parties consist of:

	2020	2019
Advertising expenses and sales promotions	₱1,038,747,000	₱671,453,860
Suppliers	587,586,043	512,198,778
Salaries and other employee benefits	26,392,075	28,412,300
Freight expenses and releasing charges	6,359,515	8,066,601
	₱1,659,084,633	₱1,220,131,539

Unrealized foreign exchange gain (loss) on translation of payables amounted to ₱2.3 million, (₱6.3 million) and (₱3.4 million) in 2020, 2019 and 2018, respectively. Realized foreign exchange gain (loss) on translation of payables amounted to ₱3.2 million, ₱4.6 million and (₱8.8 million) in 2020, 2019 and 2018, respectively (see Note 20).



11. Retirement and Other Liabilities

Other liabilities account consists of:

	2020	2019
Current		
Provisions for estimated liabilities	₱79,472,587	₱86,064,919
Noncurrent		
Provisions for estimated liabilities	323,575,349	299,156,941
Other long-term employee benefits	21,888,487	19,463,492
	345,463,836	318,620,433
	₱424,936,423	₱404,685,352

Provisions for estimated liabilities

Current and noncurrent portion of this account follows:

	2020	2019
Current		
Warranty claims	₱79,472,587	₱86,064,919
Noncurrent		
Warranty claims	21,846,413	14,925,081
Others	301,728,936	284,231,860
	323,575,349	299,156,941
	₱403,047,936	₱385,221,860

The rollforward of this account follows:

	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, 16 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

	2019		
	Warranty Claims	Others	Total
Balances at beginning of year	₱94,524,000	₱211,415,612	₱305,939,612
Provisions (Notes 15 and 16)	65,552,662	110,496,000	176,048,662
Claims/usage/reclassifications	(59,086,662)	(37,679,752)	(96,766,414)
Balances at end of year	₱100,990,000	₱284,231,860	₱385,221,860

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:

	2020	2019
Retirement liability under defined benefit plan	P113,594,542	P92,406,056
Others	8,997,524	9,231,918
	P122,592,066	P101,637,974

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:

	2020	2019
Discount rate		
Beginning	5.8%	6.5%
Ending	4.9%	5.8%
Salary increase rate		
Beginning	5.0%	5.0%
Ending	5.0%	5.0%
Average expected future service years	7.5	7.8

Changes in retirement liability under defined plan in 2020 and 2019 are as follows:

	2020		
	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability (asset)
Balances at beginning of year	P490,396,878	(P397,990,822)	P92,406,056
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	P544,862,049	(P431,267,507)	P113,594,542

	2019		
	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability (asset)
Balances at beginning of year	P450,923,312	(P477,300,918)	(P26,377,606)
Net benefit cost in the consolidated statement of comprehensive income (Note 17)			
Current service cost	22,323,213	-	22,323,213

(Forward)



	2019		Net defined benefit liability (asset)
	Present value of defined benefit obligation	Fair value of plan assets	
Net interest cost (income)	₱29,310,015	(₱31,024,560)	(₱1,714,545)
	51,633,228	(31,024,560)	20,608,668
Benefits paid	(31,279,701)	31,279,701	-
Remeasurements in other comprehensive income			
Actuarial changes arising from changes in financial assumptions	23,150,727	-	23,150,727
Experience adjustments	(3,622,950)	-	(3,622,950)
Actuarial changes arising from changes in demographic assumptions	(407,738)	-	(407,738)
Return on plan assets	-	79,054,955	79,054,955
	19,120,039	79,054,955	98,174,994
Balances at end of year	₱490,396,878	(₱397,990,822)	₱92,406,056

Changes in other retirement liability in 2020 and 2019 are as follows:

	Present value of defined benefit obligation	
	2020	2019
Balances at beginning of year	₱9,231,918	₱9,437,055
Net benefit cost in the consolidated statement of comprehensive income (Note 17)		
Current service cost	772,991	725,004
Net interest cost	535,451	613,409
	1,308,442	1,338,413
Benefits paid	(188,316)	(1,579,553)
Remeasurements in other comprehensive income		
Actuarial changes arising from changes in financial assumptions	383,226	277,842
Experience adjustments	(1,737,746)	(368,180)
Actuarial changes arising from changes in demographic assumptions	-	126,341
	(1,354,520)	36,003
Balances at end of year	₱8,997,524	₱9,231,918

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:

	2020	2019
Discount rate		
Beginning	5.8%	6.4%
Ending	4.9%	5.8%
Salary increase rate		
Beginning	5.0%	5.0%
Ending	5.0%	5.0%
Average expected future service years	7.5	7.9
Average accumulated sick leaves	37.5 days	33.1 days
Average accumulated vacation leaves	10.6 days	8.9 days



Other long-term employee benefits incurred in 2020, 2019 and 2018 amounted to ₱4.2 million, ₱4.9 million and ₱1.1 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, 2020.

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, 2020 and 2019, assuming all other assumptions were held constant:

	Increase/ (Decrease)	2020	2019
Discount rates	+1.0%	(₱517,709,837)	(₱465,829,562)
	-1.0%	594,130,495	537,264,572
Future salary increases	1.0%	593,689,290	537,189,593
	-1.0%	(517,413,316)	(465,275,285)

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

	2020	2019
Less than 1 year	₱39,280,853	₱28,507,379
More than 1 years to 5 years	271,787,160	226,311,509
More than 5 years to 10 years	397,966,036	414,986,175
More than 10 years to 15 years	261,451,302	295,830,028
More than 15 years to 20 years	103,363,730	111,039,000

The average duration of the defined benefit obligation at the end of the reporting period is 9.0 years. The Parent Company expects to contribute ₱113.6 million to the defined benefit plan in 2021.

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):

	2020	2019
Cash and cash equivalents	₱154,536,064	₱82,126,449
Loans and receivables	59,272,207	56,203,400
Investments	217,459,236	259,660,973
	₱431,267,507	₱379,990,822

12. Capital Stock

Details of capital stock as of March 31, 2020 and 2019 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, 2020 and 2019,



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 453 and 444 stockholders as of March 31, 2020 and 2019, 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, 2020 and 2019:

	2020	2019
Capital stock	₱422,718,020	₱422,718,020
Additional paid-in capital	4,779,762	4,779,762
Retained earnings (Note 13)		
Appropriated	3,792,400,000	3,742,400,000
Unappropriated	338,835,931	351,505,101
	₱4,558,733,713	₱4,521,402,883

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 ₱88.7 million, ₱157.1 million, and nil in 2020, 2019 and 2018, 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, 2020, 2019 and 2018, 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, 2020 and 2019 amounted to ₱77.8 million and ₱119.5 million, respectively.

In 2020 and 2019, 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 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.
- c. 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.
- d. On March 31, 2018, the Parent Company’s BOD authorized and directed the reversal of the appropriated retained earnings amounting to ₱417.6 million. From the total appropriations of ₱3.7 billion as of March 31, 2018, ₱3.0 billion represents the reinstatement of the previous appropriations for in-plant production of plastic and metal parts, Group’s change of IT System and other future projects of the Parent Company. The remaining ₱682.6 million additional appropriations represents appropriations for replacement and upgrading of old machines, molds and dies and other future projects and activities intended to boost B2B sales as growth engine. These projects are expected to be completed by 2024.
- e. The Parent Company’s BOD declared cash dividends as follows:

	2020	2019
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, 37.1% cash dividends to stockholders of record as of April 25, 2018 payable on May 11, 2018 (₱0.37 per share)	₱-	₱157,124,288
	₱88,736,084	₱157,124,288



14. Cost of Goods Sold

This account consists of:

	2020	2019	2018
Direct materials	₱4,421,047,221	₱4,357,168,075	₱4,335,635,483
Direct labor (Note 17)	238,434,796	165,882,757	161,155,988
Manufacturing overhead:			
Depreciation and amortization (Note 18)	213,007,314	174,875,484	142,087,832
Indirect labor (Note 17)	187,835,092	183,671,391	177,863,434
Research and development	74,583,358	27,085,844	36,772,785
Electricity, gas and water	64,094,710	52,366,191	47,392,696
Repairs and maintenance	38,832,358	27,555,130	27,635,370
Indirect materials	24,609,071	22,726,917	19,483,561
Supplies	17,543,490	15,804,579	16,872,629
Provision for inventory write-down (Note 6)	15,805,533	9,331,037	12,425,612
Travel	13,277,711	10,517,307	12,572,106
Insurance	11,494,301	8,873,335	9,244,807
Taxes and dues	4,261,158	4,590,472	3,811,046
Others	31,583,065	24,738,651	19,159,616
Total manufacturing overhead	696,927,161	562,136,338	525,321,494
Total manufacturing costs	5,356,409,178	5,085,187,170	5,022,112,965
Goods in process (Note 6):			
Beginning of year	10,564,748	19,786,525	12,284,449
End of year	(14,434,667)	(10,564,748)	(19,786,525)
Cost of goods manufactured	5,352,539,259	5,094,408,947	5,014,610,889
Finished goods and merchandise (Note 6):			
Beginning of year	₱1,101,361,371	₱963,587,145	₱695,662,958
Purchases	3,965,590,561	4,240,273,843	3,727,504,319
Provision for inventory write-down (Note 6)	91,639,506	70,101,349	4,012,274
End of year	(1,002,859,251)	(1,101,361,371)	(963,587,145)
Total	₱9,508,271,446	₱9,267,009,913	₱8,478,203,295

15. Selling Expenses

This account consists of:

	2020	2019	2018
Freight and storage	₱400,499,134	₱528,209,608	₱465,853,964
Sales promotions	641,408,369	280,431,982	250,565,303
Advertising and commissions (Note 21)	156,088,105	109,633,888	129,226,447
Provision for warranty claims (Note 11)	67,830,925	65,552,662	51,895,109
Total	₱1,265,826,533	₱983,828,140	₱897,540,823



16. General and Administrative Expenses

This account consists of:

	2020	2019	2018
Salaries, wages, and employee benefits (Note 17)	₱361,024,343	₱328,354,472	₱315,741,388
Technical assistance fees (Note 21)	183,881,413	174,043,531	172,718,271
Brand license fees (Note 21)	87,067,735	83,374,564	76,431,870
Repairs and maintenance	81,329,931	86,413,251	64,032,861
Outsourcing	66,761,475	59,103,176	46,480,522
Taxes and dues	53,545,513	47,753,087	35,602,555
Depreciation and amortization (Note 18)	46,278,978	28,524,824	33,782,580
Travel	36,293,845	36,897,385	38,149,388
Insurance	17,317,756	17,886,118	18,997,253
Allocated costs	16,434,401	15,578,410	13,979,523
Supplies	13,684,111	8,508,143	8,557,816
Communications	6,864,080	5,745,282	16,712,442
Electricity, gas and water	6,432,376	6,374,085	6,498,540
Freight and Storage	2,717,158	2,939,070	3,213,839
Rent	2,417,700	35,229,134	31,174,016
Interest expense on lease liability (Note 8)	979,388	—	—
Provision for (reversal of) other estimated liabilities (Note 11)	—	110,496,000	—
Provision for credit and impairment losses (Note 5)	—	526,315	—
Others	62,284,636	55,510,402	67,742,670
	₱1,045,314,839	₱1,103,257,249	₱949,815,534

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:

	2020	2019	2018
Compensation	₱637,149,431	₱556,709,452	₱535,992,585
Net retirement benefit expense (Note 11)	30,754,766	21,947,081	26,183,930
Other employee benefits	119,390,034	99,252,087	92,584,295
	₱787,294,231	₱677,908,620	₱654,760,810

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

	2020	2019	2018
Cost of goods sold (Note 14)	₱426,269,888	₱349,554,148	₱339,019,422
General and administrative expenses (Note 16)	361,024,343	328,354,472	315,741,388
	₱787,294,231	₱677,908,620	₱654,760,810



18. Depreciation and Amortization

Details of depreciation and amortization follow:

	2020	2019	2018
Property, plant and equipment (Note 7)	₱257,991,155	₱201,888,790	₱170,865,746
Software (Note 9)	1,295,137	1,511,518	1,115,980
Investment properties	—	—	3,888,686
	₱259,286,292	₱203,400,308	₱175,870,412
Cost of goods sold (Note 14)	₱213,007,314	₱174,875,484	₱142,087,832
General and administrative expenses (Note 16)	46,278,978	28,524,824	33,782,580
	₱259,286,292	₱203,400,308	₱175,870,412

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:

	2020	2019	2018
General and administrative expenses (Note 16)	₱—	₱—	₱7,625
Cost of goods sold (Note 14)	—	32,822	—
	₱—	₱32,822	₱7,625

20. Other Income - net

This account consists of:

	2020	2019	2018
Interest income (Note 4)	₱73,510,148	₱68,853,694	₱55,385,281
Service income (Note 21)	53,530,775	46,930,202	52,186,830
Reversal of other estimated liabilities (Note 11)	42,711,933	—	—
Foreign currency exchange loss - net (Notes 4, 5 and 10)	(25,846,639)	(19,548,146)	(18,674,012)
Income from scrap sales	8,015,541	11,482,503	12,242,921
Recovery of allowance for credit and impairment losses (Note 5)	598,229	—	23,034,700
Gain (loss) on disposal/ retirement of property, plant and equipment and software (Note 7)	—	154,482	—
Rent income (Notes 8 and 21)	—	—	25,220,973
Miscellaneous income	—	—	3,001,153
	₱152,519,987	₱107,872,735	₱152,397,846

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.

		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
Trade payable (Note 10)	Purchase of raw materials, merchandise and other spare parts, 30-day term, non-interest bearing, unsecured	-	-
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
	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

(Forward)



2020			
	Nature, terms and conditions	Amount/ Volume	Outstanding Balance
	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			
	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	₱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

(Forward)



		2019	
		Amount/ Volume	Outstanding Balance
	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
Trade payable (Note 10)	Purchase of raw materials, merchandise and other spare parts, 30-day term, non-interest bearing, unsecured	4,955,738,885	446,282,458
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	-
		2018	
		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	₱13,923,296	₱3,580,392

(Forward)



		2018	
	Nature, terms and conditions	Amount/ Volume	Outstanding Balance
	Related to promo support, 30-day term, non-interest bearing, unsecured	₱76,789,758	₱4,022,903
	Related to expenses incurred in Corporate Social Responsibility activities, 30-day term, non-interest bearing, unsecured	514,943	-
Trade payable (Note 10)	Purchase of raw materials, merchandise and other spare parts, 30-day term, non-interest bearing, unsecured	2,348,723	527,593
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	36,291,353
	Related to technical assistance fees payable equivalent to 3.0% of selected products, non-interest bearing, payable semi-annually, unsecured	172,718,271	82,920,290
Dividends payable (Note 10)	Dividends declared by the Parent Company	-	31,172
Accrued expenses (Note 10)	Related to compensation and welfare expenses of certain employees, payable quarterly, non-interest bearing, unsecured	53,253,037	7,725,875
	Related to communication expenses incurred, 30-day term, non-interest bearing, unsecured	10,205,821	1,260,241
	Accrued expenses related to export sales of the ACD (e.g. warranty expenses)	2,550,377	2,550,377
	Related to certain expenses paid in behalf of the Parent Company, 30-day term, non-interest bearing, unsecured, no impairment	-	-
	Related to training fees incurred, non-interest bearing, unsecured	1,088,919	702,407
Technical assistance fee (Note 16)	Related to technical assistance fees payable equivalent to 3.0% of selected products	172,718,271	-
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"	76,431,870	-
<i>Affiliates</i>			
Trade receivables (Note 5)	Sale of air conditioner units products, 30-day term, non-interest bearing, unsecured, no impairment	937,007,281	192,923,529
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	62,802,637	4,419,333
	Related to promo support, 30-day term, non-interest bearing, unsecured, no impairment	160,693,995	43,436,378

(Forward)



		2018	
	Nature, terms and conditions	Amount/ Volume	Outstanding Balance
	Related to certain expenses paid in behalf of affiliates, 30-day term, non-interest bearing, unsecured, no impairment	₱10,163,074	₱1,245,278
Trade payable (Note 10)	Purchase of raw materials, merchandise and other spare parts, 30-day term, non-interest bearing, unsecured	4,525,466,715	534,221,817
Accrued expenses (Note 10)	Related to expenses payable for management fee, 30-day term, non-interest bearing, unsecured	13,979,523	2,686,240
	Related to communication expenses incurred, 30-day term, non-interest bearing, unsecured	35,719,995	3,786,670
	Accrued expenses related to product development cost of air conditioner	14,042,923	12,751,547
Rent income (Note 20)	Related to rental income on investment properties, 30-day term, non-interest bearing, unsecured, no impairment	25,220,973	-
Service income (Note 20)	Related to service income earned from rendering services in the form of general advice and assistance fees	52,186,830	-

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, 2020 and 2019 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 2020, 2019 and 2018, 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 ₱154.0 million as of March 31, 2020 and 2019. 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 ₱154.0 million as of March 31, 2020 and 2019, 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 ₱28.9 million and ₱19.1 million in 2020, 2019 and 2018. 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:

	2020	2019	2018
Short-term employee benefits	₱58,169,352	₱64,978,844	₱80,424,774
Post-employment benefits	4,390,861	4,865,047	6,451,950
	₱62,560,213	₱69,843,891	₱86,876,724



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, 2020 and carried at fair value. The Retirement Fund recognized a remeasurement loss amounting to ₱68.8 million and ₱79.1 million in 2020 and 2019, 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, 2020 and 2019, certain loans and receivables amounting to ₱59.3 million and ₱56.2 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 ₱60.0 million and ₱59.7 million as of March 31, 2020 and 2019, respectively. The fair value of investment in quoted equity instruments as of March 31, 2020 and 2019 amounted to ₱112.3 million and ₱133.6 million, respectively. Investments also include investment properties pertaining to a parcel of land held for capital appreciation amounting to ₱9.0 million as of March 31, 2020 and 2019.

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, 2020 and 2019.

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:

	2020	2019	2018
Current			
RCIT	₱121,732,910	₱147,418,812	₱-
Gross income tax (GIT)	18,606,449	20,658,316	17,468,279
MCIT	-	-	43,592,895
Deferred	(26,740,088)	(42,007,077)	(8,178,668)
	₱113,599,271	₱126,070,051	₱52,882,506

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:

	2020	2019	2018
Income tax at statutory income tax rate	₱72,096,274	₱82,377,356	₱95,074,460
Additions to (reductions in) income taxes resulting from:			
Movement in unrecognized deferred tax assets	78,791,189	93,849,785	23,919,974
Income from PEZA registered activities	(23,262,547)	(34,686,453)	(26,282,825)
Income subjected to final tax	(16,303,888)	(15,118,297)	(11,260,243)
Non-deductible expenses (non-taxable income)	2,278,243	(352,340)	(28,568,860)
	₱113,599,271	₱126,070,051	₱52,882,506

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

	2020	2019
Deferred tax assets:		
Retirement liability (Note 11)	₱84,597,324	₱41,412,605
Unamortized past service cost	43,243,688	30,645,274
Provisions for estimated liabilities and other accruals	26,482,046	34,514,493
Allowance for inventory losses	20,504,037	13,766,900
Allowance for credit and probable losses	1,298,331	1,477,800
Unrealized foreign currency exchange loss - net	1,146,962	-
	177,272,388	121,817,072
Deferred tax liabilities:		
Net book value of replacement and burned property, plant and equipment	8,527,347	8,535,823
Unrealized foreign currency exchange gain - net	-	1,190,767
	8,527,347	9,726,590
	₱168,745,041	₱112,090,482



As of March 31, 2020 and 2019, the Group did not recognize deferred tax assets amounting to ₱402.3 million and ₱117.8 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 ₱0.7 million and ₱1.3 million in 2020 and 2019, 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:

	2020	2019	2018
Net income attributable to the equity holders of the Parent Company (a)	₱126,066,914	₱148,144,539	₱262,726,845
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)	₱0.30	₱0.35	₱0.62

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):

	2020				Total
	Consumer	SSG	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					
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					
Capital expenditures ² (Notes 7, 8 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	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

(Forward)



	2019				Total
	Consumer	SSG	Others	Adjustments/ Eliminations	
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.

	2018				Total
	Consumer	SSG	Others	Adjustments/ Eliminations	
Consolidated Statement of Comprehensive Income					
Net sales	₱9,890,400	₱476,116	₱123,561	₱-	₱10,490,077
Cost of goods sold (Note 14)	(7,982,220)	(396,997)	(98,986)	-	(8,478,203)
Selling expenses (Note 15)	(905,259)	(64)	7,782	-	(897,541)
General and administrative expenses (Note 16)	(846,532)	(71,574)	(31,710)	-	(949,816)
Other income - net (Note 20)	151,117	1,249	32	-	152,398
Income before income tax	₱307,506	₱8,730	₱679	₱-	316,915
Provision for income tax (Note 23)					52,883
Net income					₱264,032
Consolidated Statement of Financial Position					
Segment assets	₱6,579,596	₱331,049	₱23,734	₱124,634 ¹	₱7,059,013
Segment liabilities	2,322,253	73,668	62,029	9,963 ²	2,467,913
Other Segment Information					
Capital expenditures ³ (Notes 7 and 9)	₱246,178	₱2,005	₱1,499	₱-	₱249,682
Depreciation and amortization ⁴ (Note 18)	174,931	826	113	-	175,870
Interest income ⁵ (Note 20)	55,385	-	-	-	55,385

1. Segment assets do not include deferred tax assets amounting to ₱124.6 million.
2. Segment liabilities do not include income tax payable amounting to ₱10.0 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):

	2020	2019	2018
Philippines	₱10,864,195	₱10,392,122	₱9,553,070
Hongkong	1,031,580	1,105,739	930,088
Nigeria	-	22,953	-
Africa	11,173	-	6,919
	₱11,906,948	₱11,520,814	₱10,490,077

The Parent Company has two customers each representing 10.0% or more of the Parent Company's total revenue amounting to ₱3.8 billion in 2020 and ₱3.7 billion in 2019.



Disaggregated revenue information

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

	2020			Total
	Consumer	SSG	Others	
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

	2019			Total
	Consumer	SSG	Others	
B2B sales	₱10,643,675	₱338,466	₱69,181	₱11,051,322
B2C sales	377,587	–	91,905	469,492
	₱11,021,262	₱338,466	₱161,086	₱11,520,814

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, 2020 and 2019, 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, 2020 and 2019.

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, 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, 2019, the Group had two customers that owed it more than ₱220.0 million each that each accounts for more than 16.0% of the total trade receivables outstanding.

As of March 31, 2020 and 2019, 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
2020	₱1,328,283,547	₱1,046,242,417	₱282,041,130	₱1,046,242,417
2019	1,592,963,632	1,169,679,625	423,284,007	1,169,679,625

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, 2019 and March 31, 2020.

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:

	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
	2019				Total
	Current	More than 30 days	More than 60 days	More than 90 days	
Trade receivables					
Expected credit loss rate	0.27%	20.60%	35.42%	44.06%	
Total gross carrying amount	₱1,590,274,057	₱1,887,036	₱428,102	₱374,437	₱1,592,963,632
Expected credit losses	4,220,660	388,729	151,634	164,977	4,926,000



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:

	2020				Total
	Less than 30 days	1 to 3 months	3 to 12 months	Beyond 1 year	
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
Other assets	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	29,624,233	1,053,460,105	17,531,531	2,361,219,661
	1,261,926,825	32,270,301	1,058,778,730	19,291,531	2,372,267,387
	₱2,932,302,963	₱177,809,617	(₱1,056,888,544)	(₱17,705,493)	₱2,035,518,543

*Includes future interest

**Excludes statutory liabilities amounting to ₱4.3 million

	2019				Total
	Less than 30 days	1 to 3 months	3 to 12 months	Beyond 1 year	
Financial Assets					
Cash in banks	₱615,908,344	₱-	₱-	₱-	₱615,908,344
Cash equivalents*	1,510,002,703	709,200,800	-	-	2,219,203,503
Receivables					
Trade					
Domestic	1,321,327,654	-	-	-	1,321,327,654
Export	266,709,978	-	-	-	266,709,978

(Forward)



	2019					Total
	Less than 30 days	1 to 3 months	3 to 12 months	Beyond 1 year		
Non-trade	₱79,267,537	₱-	₱-	₱-		₱79,267,537
	3,793,216,216	709,200,800	-	-		4,502,417,016
Financial assets at FVOCI	-	-	-	4,785,583		4,785,583
Other assets	-	-	-	18,331,355		18,331,355
	3,793,216,216	709,200,800	-	23,116,938		4,525,533,954
Financial Liabilities						
Accounts payable and accrued expenses**	1,575,140,301	25,842,309	689,516,362	41,972,576		2,332,471,548
	1,575,140,301	25,842,309	689,516,362	41,972,576		2,332,471,548
	₱2,218,075,915	₱683,358,491	(₱689,516,362)	(₱18,855,638)		₱2,193,062,406

*Includes future interest

**Excludes statutory liabilities amounting to ₱22.2 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, 2020 and 2019, the foreign currency-denominated financial assets and financial liabilities in original currencies and their Philippine Peso (PHP) equivalents are as follows:

	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
	2019			Equivalents in PHP
	USD	JPY		
Financial assets				
Cash and cash equivalents	20,403,274	1,268,694		1,071,777,332
Receivables	6,544,491	50,133,369		367,509,441
	26,947,765	51,402,063		1,439,286,773
Financial liabilities				
Accounts payable and accrued expenses	14,863,588	8,608,446		784,446,323



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
2020	+8%	¥44,987,825
	-8%	(52,811,795)
2019	+8%	¥46,994,025
	-8%	(55,166,899)
	Increase/ decrease in JPY rate	Effect on income before tax
2020	+7%	(¥5,633,639)
	-7%	6,481,713
2019	+7%	¥1,335,961
	-7%	(1,537,073)

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, 2020 and 2019, 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 ₱7.2 million and ₱32.9 million in 2020 and 2019, respectively (see Notes 7 and 10).

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

	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	₱–

	March 31, 2018			
	Beginning balance	Cash flows	Non-cash changes	Ending balance
Finance lease liability	₱2,755,846	(₱2,305,344)	₱–	₱450,502
Dividends payable	295,919,916	(295,888,744)	–	31,172
Total liabilities from financing activities	₱298,675,762	(₱298,194,088)	₱–	₱481,674

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 July 28, 2020.

30. Events after the Reporting Period and Other Matter

In a move to contain the COVID-19 outbreak, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed an enhanced community quarantine (ECQ) throughout the island of Luzon until April 12, 2020, which was subsequently extended to May 15, 2020, unless earlier lifted or extended. Subsequent to May 15, 2020, a modified enhanced community quarantine (MECQ) was imposed in



NCR and other areas until May 31, 2020. Effective June 1, 2020, NCR was placed under general community quarantine. These measures have caused disruptions to business and economic activities, and its impact on businesses continue to evolve.

The Group has assessed the events surrounding the outbreak did not have significant impact on its financial position and performance as of and for the fiscal year ended March 31, 2020. Considering the evolving nature of its outbreak, the Group is continuously assessing and monitoring the impact to its financial position, performance and cash flows. The Group will continue to monitor the situation.

On June 28, 2016, the Parent Company received a Preliminary Assessment Notice (PAN) from the BIR covering taxable year 2011 for deficiency tax in income tax, VAT, expanded and compensation withholding taxes and documentary stamp taxes. Subsequently, on July 27, 2016, the Parent Company received a Formal Letter of Demand (FLD). On August 25, 2016, the Parent Company filed a protest letter on the findings noted and requested reconsideration and reinvestigation based on legal and factual grounds. On July 22, 2020, the Parent Company received a final decision on disputed assessment (FDDA) from the BIR for its assessment on income tax, value added tax, withholding tax, on compensation and compromise penalty for the taxable year 2011 in the total amount of ₱9.9 million. In the opinion of management, this is the most likely amount that the Parent Company will settle with the BIR. Management has assessed that the information obtained as an adjusting event which have a significant impact to the Parent Company's financial position and performance as of and for the year ended March 31, 2020.



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, 2020 and 2019 and for each of the three years in the period ended March 31, 2020 and have issued our report thereon dated July 28, 2020. 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 Maminta

Juan Carlo B. Maminta
Partner

CPA Certificate No. 115260

SEC Accreditation No. 1699-A (Group A),
August 16, 2018, valid until August 15, 2021

Tax Identification No. 210-320-399

BIR Accreditation No. 08-001998-132-2018,
February 9, 2018, valid until February 8, 2021

PTR No. 8125258, January 7, 2020, Makati City

July 28, 2020



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

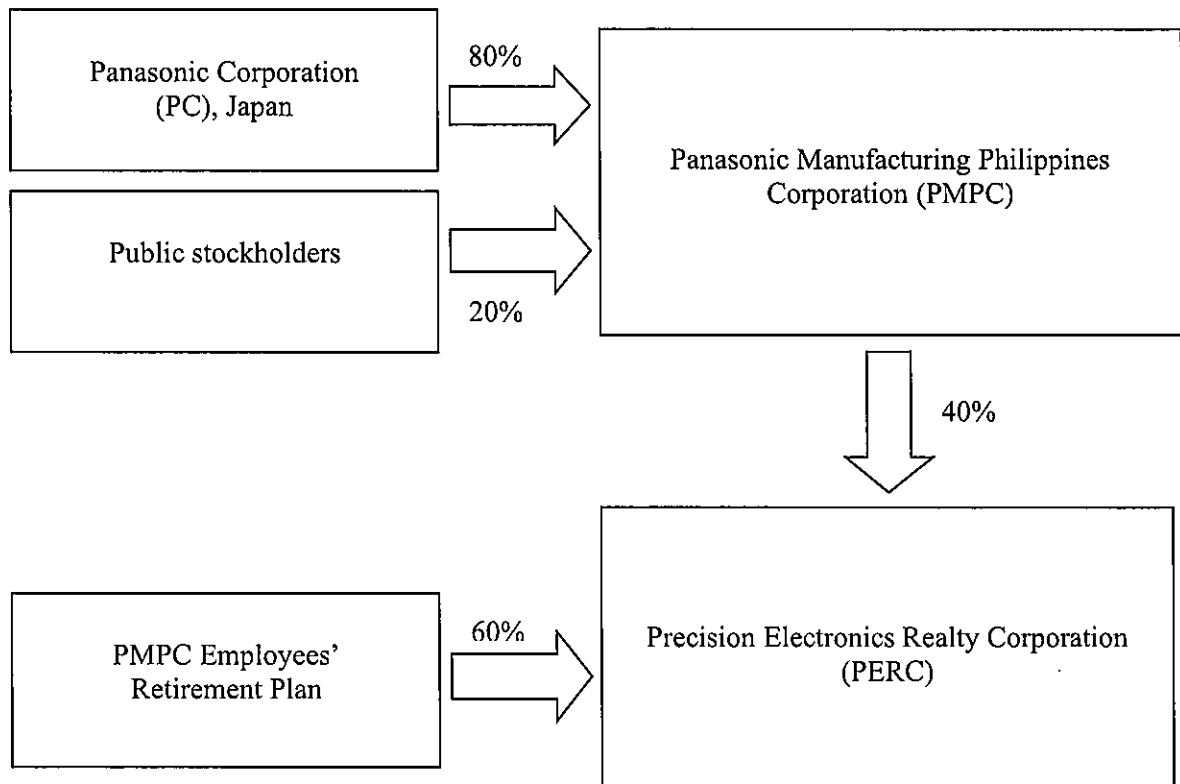
**PANASONIC MANUFACTURING PHILIPPINES
CORPORATION (PARENT COMPANY)**

**SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION
MARCH 31, 2020**

Unappropriated retained earnings, beginning		₱350,781,429
Adjustments on beginning balance:		
Less: Deferred Tax Asset, beginning	(166,641,337)	
Effect of pooling of interest with NPPI	(64,690,082)	(231,331,419)
Unappropriated retained earnings available for dividend declaration, beginning, as adjusted		119,450,010
Add: Net income actually earned/realized during the year:		
Net income during the period closed to retained earnings	125,807,376	
Unrealized foreign exchange (gain) loss - net	(1,945,728)	
Provision for deferred tax	(26,740,088)	97,121,560
Net income actually earned/realized during the period		216,571,570
Add: Reversal of appropriation	798,825,280	
Less: Appropriations	(848,825,280)	
Dividends declarations during the period	(88,736,084)	(138,736,084)
Unappropriated retained earnings available for dividend declaration, end		₱77,835,486

PANASONIC MANUFACTURING PHILIPPINES CORPORATION

**MAP SHOWING THE RELATIONSHIPS BETWEEN AND AMONG THE COMPANY AND ITS ULTIMATE PARENT COMPANY AND SUBSIDIARY
MARCH 31, 2020**



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, 2020 and 2019 and for each of the three years in the period ended March 31, 2020, and have issued our report thereon dated July 28, 2020. 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, 2020 and 2019 and for each of the three years in the period ended March 31, 2020 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Juan Carlo Maminta

Juan Carlo B. Maminta

Partner

CPA Certificate No. 115260

SEC Accreditation No. 1699-A (Group A),

August 16, 2018, valid until August 15, 2021

Tax Identification No. 210-320-399

BIR Accreditation No. 08-001998-132-2018,

February 9, 2018, valid until February 8, 2021

PTR No. 8125258, January 7, 2020, Makati City

July 28, 2020



**PANASONIC MANUFACTURING PHILIPPINES
CORPORATION**

**SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
MARCH 31, 2020**

RATIO	FORMULA	March 31, 2020	March 31, 2019
Current Ratio	Current Assets / Current Liabilities	2.50	2.56
Acid Test Ratio	(Cash Equivalents + Marketable Securities + Receivable) / Current Liabilities	1.79	1.84
Solvency Ratio	Net Income / Total Liabilities	0.04	0.05
Debt to Equity Ratio	Total Liabilities / Total Equity	0.65	0.63
Debt Ratio	Total Liabilities / Total Assets	0.39	0.39
Asset to Equity Ratio	Total Assets / Total Equity	1.65	1.63
Interest Rate Coverage Ratio	EBIT / Interest Expense	246.11	0.00
Return on Assets	Net Income / Average Total Assets	0.02	0.02
Return on Equity	Net Income / Average Total Equity	0.03	0.03
Net Profit Margin	Gross Profit / Total Revenue	0.20	0.20

Panasonic Manufacturing Philippines Corporation
Schedule A – Financial Assets
March 31, 2020

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	P840,554	P840,554	P-
Philippine Long Distance Telephone Company	2,850	745,484	745,484	-
	<u>28,014</u>	<u>P1,586,038</u>	<u>P1,586,038</u>	<u>P-</u>

Panasonic Manufacturing Philippines Corporation
Schedule B – Amounts Receivable from Directors, Officers, Employees and Principal Stockholders (Other than Related Parties)
March 31, 2020

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, 2020

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	₱153,990,175	₱-	₱-	₱-	₱-	₱153,990,175	₱153,990,175

**Represents accretion of day 1 difference*

Panasonic Manufacturing Philippines Corporation
Schedule D – Long-Term Debt
March 31, 2020

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
---------------------------------------	--------------------------------	--	--

Nothing to report

Panasonic Manufacturing Philippines Corporation
Schedule E – Indebtedness to Related Parties (Long-Term Loans from Related Companies)
March 31, 2020

Name of related party	Balance at beginning of period	Balance at end of period
-----------------------	--------------------------------	--------------------------

Nothing to report

Panasonic Manufacturing Philippines Corporation
Schedule F – Guarantees of Securities of Other Issuers
March 31, 2020

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
--	---	---	--	---------------------

Nothing to report

Panasonic Manufacturing Philippines Corporation
Schedule G – Capital Stock
March 31, 2020

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	–	359,580,948	107,710	63,029,362