COVER SHEET

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

2	3	0	2	2						

COMPANY NAME

PANASONIC MANUFACTURING PHILIPPINES CORPORATION AND SUBSIDIARY

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

Ortigas Avenue Extension, Barrio Mapandan, Barangay San Isidro, Taytay, 1920, Rizal

Form Type	Department requiring the report	Secondary License Type, If Applicable
AFS		N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
www.panasonic.com/ph	635-2260 to 65	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
463	July 15	March 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Ms. Julieta Beltran	julieta.beltran@ph.panasonic.com	635-2260 to 65	(+63) 917 584 4500

CONTACT PERSON's ADDRESS

Ortigas Avenue Extension, Taytay, Rizal

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

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

SGV
Building a better working world

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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, 2022 and 2021, 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, 2022, 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, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended March 31, 2022 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

Key Audit Matters

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

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

Provision for estimated liabilities

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

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

Audit response

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

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended March 31, 2022, 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, 2022 are expected to be made available to us after the date of this auditor's report.

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

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

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

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

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

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

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

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

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

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

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

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements.

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

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

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

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

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

SYCIP GORRES VELAYO & CO.

Juan Carlo Maminta

Juan Carlo B. Maminta
Partner
CPA Certificate No. 115260
Tax Identification No. 210-320-399
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 115260-SEC (Group A)
Valid to cover audit of 2020 to 2024 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-132-2020, November 27, 2020, valid until November 26, 2023
PTR No. 8854326, January 3, 2022, Makati City

June 9, 2022

PANASONIC MANUFACTURING PHILIPPINES CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	March 31	
	2022	2021
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	**₱3,162,894,454**	₱3,743,228,585
Receivables (Note 5)	**1,766,394,155**	1,476,638,862
Inventories (Note 6)	**2,479,418,529**	1,741,171,787
Other current assets (Note 9)	**139,774,028**	142,543,607
Total Current Assets	**7,548,481,166**	7,103,582,841
Noncurrent Assets		
Property, plant and equipment (Note 7)	**899,515,952**	984,691,769
Deferred tax assets - net (Note 22)	**132,673,106**	127,188,623
Other noncurrent assets (Note 9)	**23,167,485**	22,430,182
Total Noncurrent Assets	**1,055,356,543**	1,134,310,574
	₱8,603,837,709	₱8,237,893,415
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Note 10)	**₱3,292,654,836**	₱2,889,647,033
Lease liabilities - current portion (Note 8)	**4,762,604**	4,361,116
Other current liabilities (Note 11)	**84,671,156**	76,686,265
Total Current Liabilities	**3,382,088,596**	2,970,694,414
Noncurrent Liabilities		
Retirement liability (Note 11)	**143,990,807**	122,445,262
Lease liabilities - net of current portion (Note 8)	**2,521,241**	7,283,845
Other noncurrent liabilities (Note 11)	**320,355,110**	335,208,985
Total Noncurrent Liabilities	**466,867,158**	464,938,092
	3,848,955,754	3,435,632,506
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, 11 and 12)	**(115,391,581)**	(124,187,388)
Retained earnings (Note 13)		
Appropriated	**3,892,400,000**	3,842,400,000
Unappropriated	**476,835,568**	583,016,225
	4,681,341,769	4,728,726,619
Non-controlling Interest	**73,540,186**	73,534,290
Total Equity	**4,754,881,955**	4,802,260,909
	₱8,603,837,709	₱8,237,893,415

See accompanying Notes to Consolidated Financial Statements.

PANASONIC MANUFACTURING PHILIPPINES CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended March 31		
	2022	2021	2020
NET SALES (Note 25)	**₱12,590,533,901**	₱10,883,095,262	₱11,906,948,322
COST OF GOODS SOLD (Note 14)	**(10,044,815,618)**	(8,316,813,759)	(9,508,271,446)
GROSS PROFIT	**2,545,718,283**	2,566,281,503	2,398,676,876
SELLING EXPENSES (Note 15)	**(1,329,008,500)**	(1,204,276,357)	(1,265,826,533)
GENERAL AND ADMINISTRATIVE EXPENSES (Note 16)	**(1,064,675,121)**	(950,374,726)	(1,045,314,839)
OTHER INCOME - net (Note 19)	**91,422,430**	67,019,396	152,519,987
INCOME BEFORE INCOME TAX	**243,457,092**	478,649,816	240,055,491
PROVISION FOR INCOME TAX (Note 22)	**(77,924,653)**	(120,634,224)	(113,599,271)
NET INCOME	**165,532,439**	358,015,592	126,456,220
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)	**8,506,020**	21,979,420	(62,111,145)
Unrealized gain (loss) on financial assets at fair value through other comprehensive income (Note 9)	**289,787**	73,476	(3,199,545)
TOTAL COMPREHENSIVE INCOME	**₱174,328,246**	₱380,068,488	₱61,145,530
Net income attributable to:			
Equity holders of the Parent Company (Note 24)	**₱165,526,543**	₱357,239,514	₱126,066,914
Non-controlling interest	**5,896**	776,078	389,306
	₱165,532,439	₱358,015,592	₱126,456,220
Total comprehensive income attributable to:			
Equity holders of the Parent Company	**₱174,322,350**	₱379,292,410	₱60,756,224
Non-controlling interest	**5,896**	776,078	389,306
	₱174,328,246	₱380,068,488	₱61,145,530
Basic/diluted earnings per share (Note 24)	**₱0.39**	₱0.85	₱0.30

See accompanying Notes to Consolidated Financial Statements.

PANASONIC MANUFACTURING PHILIPPINES CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Equity Attributable to Equity Holders of the Parent Company								
	Capital Stock (Note 12)	**Additional Paid-in Capital** (Note 12)	**Net Unrealized Gains on Financial Assets at FVOCI** (Note 9)	**Remeasurement 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, 2021	**₱422,718,020**	**₱4,779,762**	**₱699,024**	**(₱124,886,412)**	**₱3,842,400,000**	**₱583,016,225**	**₱4,728,726,619**	**₱73,534,290**	**₱4,802,260,909**
Total comprehensive income	**–**	**–**	**289,787**	**8,506,020**	**–**	**165,526,543**	**174,322,350**	**5,896**	**174,328,246**
Reversals of appropriation (Note 13)	**–**	**–**	**–**	**–**	**(696,142,000)**	**696,142,000**	**–**	**–**	**–**
Appropriations (Note 13)	**–**	**–**	**–**	**–**	**746,142,000**	**(746,142,000)**	**–**	**–**	**–**
Cash dividends (Note 13)	**–**	**–**	**–**	**–**	**–**	**(221,707,200)**	**(221,707,200)**	**–**	**(221,707,200)**
Balances at March 31, 2022	**₱422,718,020**	**₱4,779,762**	**₱988,811**	**(₱116,380,392)**	**₱3,892,400,000**	**₱476,835,568**	**₱4,681,341,769**	**₱73,540,186**	**₱4,754,881,955**
Balances at April 1, 2020	₱422,718,020	₱4,779,762	₱625,548	(₱146,865,832)	₱3,792,400,000	₱338,835,931	₱4,412,493,429	₱72,758,212	₱4,485,251,641
Total comprehensive income	–	–	73,476	21,979,420	–	357,239,514	379,292,410	776,078	380,068,488
Reversals of appropriation (Note 13)	–	–	–	–	(814,494,110)	814,494,110	–	–	–
Appropriations (Note 13)	–	–	–	–	864,494,110	(864,494,110)	–	–	–
Cash dividends (Note 13)	–	–	–	–	–	(63,059,220)	(63,059,220)	–	(63,059,220)
Balances at March 31, 2021	₱422,718,020	₱4,779,762	₱699,024	(₱124,886,412)	₱3,842,400,000	₱583,016,225	₱4,728,726,619	₱73,534,290	₱4,802,260,909
Balances at April 1, 2019	₱422,718,020	₱4,779,762	₱3,825,093	(₱84,754,687)	₱3,742,400,000	₱351,505,101	₱4,440,473,289	₱72,368,906	₱4,512,842,195
Total comprehensive income	–	–	(3,199,545)	(62,111,145)	–	126,066,914	60,756,224	389,306	61,145,530
Reversals of appropriation (Note 13)	–	–	–	–	(798,825,280)	798,825,280	–	–	–
Appropriations (Note 13)	–	–	–	–	848,825,280	(848,825,280)	–	–	–
Cash dividends (Note 13)	–	–	–	–	–	(88,736,084)	(88,736,084)	–	(88,736,084)
Balances at March 31, 2020	₱422,718,020	₱4,779,762	₱625,548	(₱146,865,832)	₱3,792,400,000	₱338,835,931	₱4,412,493,429	₱72,758,212	₱4,485,251,641

See accompanying Notes to Consolidated Financial Statements.

PANASONIC MANUFACTURING PHILIPPINES CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended March 31		
	2022	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱243,457,092**	₱478,649,816	₱240,055,491
Adjustments for:			
Depreciation and amortization (Note 18)	**221,023,171**	242,680,763	259,286,292
Provision for inventory write-down (Note 14)	**81,998,295**	157,959,416	107,445,039
Retirement and other long-term employee benefits expense (Notes 11 and 17)	**35,294,960**	34,962,636	34,946,121
Interest income (Notes 4 and 19)	**(31,271,616)**	(32,503,149)	(73,510,148)
Provision for warranty claims and estimated liabilities (Note 11)	**63,569,140**	19,222,356	25,118,992
Provision for (net recovery of) credit and impairment losses (Notes 5, 16 and 19)	**(6,175,383)**	7,944,612	(598,229)
Gain on disposal/retirement of property, plant and equipment and software (Note 19)	**(1,932,528)**	(351,723)	–
Unrealized foreign currency exchange (gain) loss (Notes 4, 5 and 10)	**(3,966,129)**	(328,560)	4,070,446
Interest on lease liability (Notes 8 and 16)	**565,242**	282,553	979,388
Operating income before changes in working capital	**602,562,244**	908,518,720	597,793,392
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Receivables	**(281,860,520)**	(45,698,280)	225,651,921
Inventories	**(820,245,037)**	(245,077,981)	(124,059,527)
Other current assets	**2,769,579**	(50,685,621)	98,611,719
Increase (decrease) in:			
Accounts payable and accrued expenses	**404,797,841**	516,827,082	(706,818)
Other liabilities	**(77,981,392)**	(28,453,068)	278,804
Net cash generated from operations	**(169,957,285)**	1,055,430,852	797,569,491
Income taxes paid	**(87,921,807)**	(82,521,504)	(198,893,173)
Interest received from bank deposits (Notes 4 and 19)	**31,403,809**	33,669,317	75,385,714
Other retirement liability and long-term employee benefits paid (Note 11)	**(3,414,920)**	(5,781,869)	(1,954,676)
Contributions to the retirement fund (Note 11)	–	–	(101,637,974)
Net cash provided by (used in) operating activities	**(229,890,203)**	1,000,796,796	570,469,382
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Property, plant and equipment (Notes 7 and 27)	**(129,746,565)**	(129,284,699)	(339,762,980)
Software (Note 9)	**(156,789)**	–	(1,458,326)
Proceeds from disposal of property, plant and equipment (Note 7)	**2,272,474**	481,469	360,270
Decrease (increase) in non-current other assets (Note 9)	**1,266,180**	(2,156,760)	(5,452,653)
Net cash used in investing activities	**(126,364,700)**	(130,959,990)	(346,313,689)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash dividends paid (Notes 13 and 27)	**(221,712,691)**	(63,056,242)	(88,733,571)
Payment of principal portion of lease liability (Notes 8 and 27)	**(4,926,358)**	(7,974,503)	(15,565,526)
Net cash used in financing activities	**(226,639,049)**	(71,030,745)	(104,299,097)

(Forward)

	Years Ended March 31		
	2022	2021	2020
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS (Note 4)	**₱2,559,821**	(₱927,269)	(₱6,016,174)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(580,334,131)**	797,878,792	113,840,422
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**3,743,228,585**	2,945,349,793	2,831,509,371
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱3,162,894,454**	₱3,743,228,585	₱2,945,349,793

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

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

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

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

2. Summary of Significant Accounting Policies

Basis of Preparation

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

Statement of Compliance

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

Basis of Consolidation

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

	2022	2021
Summarized financial position information		
Total current assets	**₱43,869,927**	₱43,852,062
Total noncurrent assets	**233,177,867**	233,177,867
Total current liabilities	**490,637**	482,598
Total noncurrent liabilities	**153,990,175**	153,990,175
Total equity	**₱122,566,982**	₱122,557,156
Summarized comprehensive income information		
Revenues	**₱29,017,119**	₱29,178,623
Cost and expenses – net	**28,783,607**	27,512,284
Income before income tax	**233,512**	1,666,339
Provision for income tax	**223,686**	372,876
Total comprehensive income	**₱9,826**	₱1,293,463
Summarized cash flow information		
Operating activities	**(₱471,356)**	(₱4,945,981)
Net decrease in cash and cash equivalents	**(₱471,356)**	(₱4,945,981)

Changes in Accounting Policies

Except for these new and amended standards which were adopted as of April 1, 2021, the accounting policies adopted are consistent with those of previous financial year.

The adoption of the following amendments did not have a significant impact on the consolidated financial statements of the Group:

- Amendment to PFRS 16, *COVID-19-related Rent Concessions beyond 30 June 2021*
- Amendments to PFRS 9, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*

Fair Value Measurement

For measurement and disclosure purposes, the Group determines the fair value of an asset or a liability at initial measurement date or each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

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

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

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

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

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

Cash and Cash Equivalents

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

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Date of recognition

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

Initial recognition of financial instruments

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

As of March 31, 2022 and 2021, 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 consolidated 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 consolidated 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 2022, 2021 and 2020, 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, 2022 and 2021 consist of financial assets at amortized cost and financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments).

Financial assets at amortized cost (debt instruments)
The Group measures financial assets at amortized cost if both of the following conditions are met:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

b) Financial liabilities

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

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

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

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

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

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

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

The Group does not have financial liabilities at FVTPL as of March 31, 2022 and 2021.

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

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

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

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

c) Offsetting of financial instruments

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

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

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

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

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

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

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

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

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

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

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

Software

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

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

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

Impairment of Nonfinancial Assets

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

Where there is an indication of impairment, the Group makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Recoverable amount is the higher

of an asset's or cash-generating unit's fair value less costs to sell and its value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

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

Leases

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

The Parent Company as a lessee

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

i. Right-of-use assets

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

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

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

ii. Lease liability

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

In calculating the present value of lease payments, the Parent Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased

to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset. The accretion is presented as 'Interest expense' (Note 16) in the consolidated statement of comprehensive income.

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

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

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

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

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

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

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

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

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

Equity

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

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

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

Revenue Recognition

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

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

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

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

Revenue within the scope of PFRS 15:

Sale of goods and services

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

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price for the sale of goods and services, the Group considers the effects of variable

consideration, the existence of significant financing components, noncash consideration, and consideration payable to the customer, if any.

Sale of scrap and gain (loss) on sale of property, plant and equipment
Revenue from sale of scrap is recognized upon delivery, when the control has passed to the buyer and the amount of revenue can be measured reliably.

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

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

Revenue outside the scope of PFRS 15:

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

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

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

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

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

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

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

Dividends on Common Shares
Dividends on common shares are recognized as a liability and deducted from equity when declared and approved by the Board of Directors (BOD) of the Parent Company. Dividends for the year that

are declared and approved after the consolidated statement of financial position date, if any, are dealt with as an event after the financial reporting date and disclosed accordingly.

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

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

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

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

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

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

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

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

Retirement expenses comprise the following:

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

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

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying

the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets

on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

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

Operating Segment
Operating segments for management reporting purposes are organized into three major segments according to the nature and user of the products. Common income and expenses are allocated among business segments based on sales or other appropriate bases. Segment assets include operating assets used by a segment and consist principally of operating cash, receivables, inventories and property, plant and equipment, net of allowances, provisions and depreciation and amortization. Segment liabilities include all operating liabilities and consist principally of accounts payable and accrued liabilities. Information on business segments is presented in Note 25.

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

Standards issued but not yet effective up to the date of issuance of the Group's consolidated financial statements are listed below. The listing consists of standards and interpretations issued, which the Group reasonably expects to be applicable at a future date. The Group intends to adopt these standards when they become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended standards and interpretations to have significant impact on the consolidated financial statements.

Effective beginning on or after April 1, 2022

- Amendments to PFRS 3, *Reference to the Conceptual Framework*

  The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations* to avoid the issue of potential 'day 2'gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine-IFRIC 21, *Levies*, if incurred separately.

  At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*

  The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

  The amendments are not expected to have a material impact on the Group.

- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*

  The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

- *Annual Improvements to PFRSs* 2018-2020 Cycle

  - Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*

    The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to PFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

- Amendments to PFRS 9, *Financial Instruments*, *Fees in the '10 per cent' test for derecognition of financial liabilities*

  The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

- Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

  The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

Effective beginning on or after April 1, 2023

- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

  The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

  The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense).

  An entity applies the amendments to transactions that occur on or after the beginning of the earliest comparative period presented for annual reporting periods on or after January 1, 2023.

- Amendments to PAS 8, *Definition of Accounting Estimates*

  The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

  The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

  - Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies, and
  - Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

Effective beginning on or after April 1, 2024

- Amendments to PAS 1*, Classification of Liabilities as Current or Non-current*

  The amendments clarify paragraphs 69 to 76 of PAS 1, *Presentation of Financial Statements*, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:
  - What is meant by a right to defer settlement
  - That a right to defer must exist at the end of the reporting period
  - That classification is unaffected by the likelihood that an entity will exercise its deferral right
  - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

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

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

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

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

Estimates

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

a. *Provisions for estimated liabilities*

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

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

Provisions for estimated liabilities amounted to ₱385.3 million and ₱391.1 million as of March 31, 2022 and 2021, 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, 2022 and 2021 amounted to ₱2.5 billion and ₱1.7 billion (see Note 6). The amount of provision for inventory write-down included under cost of goods sold amounted to ₱82.0 million, ₱158.0 million and ₱107.4 million in 2022, 2021 and 2020, 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 ₱1.8 billion and ₱1.5 billion as at March 31, 2022 and 2021, 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 ₱144.0 million and ₱122.4 million as of March 31, 2022 and 2021, 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 ₱132.7 million and ₱127.2 million as of March 31, 2022 and 2021, respectively (see Note 22).

4. Cash and Cash Equivalents

This account consists of:

	2022	2021
Cash in banks	**₱1,839,194,454**	₱1,126,220,585
Cash equivalents	**1,323,700,000**	2,617,008,000
	₱3,162,894,454	₱3,743,228,585

Cash in banks earned annual interest ranging from 0.06% to 1.00% and 0.13% to 0.50% in 2022 and 2021, 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 0.02% to 1.00% in 2022, 0.01% to 1.25% in 2021 and from 0.60% to 2.60% in 2020.

Interest income from cash in banks and cash equivalents amounted to ₱31.3 million, ₱32.5 million and ₱73.5 million in 2022, 2021 and 2020, respectively (see Note 19).

Foreign exchange loss resulting from translation of foreign currency-denominated cash in banks into Philippine peso amounted to ₱6.5 million, ₱36.6 million and ₱30.0 million in 2022, 2021 and 2020, respectively (see Note 19).

5. Receivables

This account consists of:

	2022	2021
Trade		
Domestic	**₱1,522,163,904**	₱1,253,151,679
Export (Note 20)	**173,907,867**	132,915,917
Non-trade		
Related parties (Note 20)	**42,435,458**	63,183,575
Employees	**4,748,209**	4,707,742
Third parties	**4,330,919**	3,391,783
Others	**24,904,798**	31,560,549
	1,772,491,155	1,488,911,245
Less allowance for credit losses	**6,097,000**	12,272,383
	₱1,766,394,155	₱1,476,638,862

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.

Others include receivable from factory support, scrap sales and container deposits.

The changes in the allowance for expected credit losses on trade receivables in 2022 and 2021 follow:

	2022	2021
Balances at beginning of year	**₱12,272,383**	₱4,327,771
Provision for (recovery of) credit losses (Notes 16 and 19)	**(6,175,383)**	7,944,612
Balances at end of year	**₱6,097,000**	₱12,272,383

Foreign exchange gain (loss) on translation of receivables amounted to ₱3.3 million, (₱1.8 million) and (₱1.3 million) in 2022, 2021 and 2020, respectively (see Note 19).

6. Inventories

This account consists of:

	2022	2021
At NRV:		
Finished goods and merchandise	**₱–**	₱946,654
At cost:		
Finished goods and merchandise	**878,214,931**	1,054,961,158
Raw materials	**1,543,470,176**	630,876,304
Supplies	**41,876,769**	42,723,603
Goods in process	**15,856,653**	11,664,068
	2,479,418,529	1,740,225,133
	₱2,479,418,529	₱1,741,171,787

The related cost of inventories recorded at NRV amounted to ₱34.2 million as of March 31, 2021. The amount of write-down of inventories included under cost of goods sold amounted to ₱82.0 million, ₱158.0 million and ₱107.4 million in 2022, 2021 and 2020, respectively (see Note 14). The amount of inventories recognized in cost of goods sold during the year amounted to ₱10.0 billion, ₱8.3 billion and ₱9.5 billion in 2022, 2021 and 2020, respectively (see Note 14).

7. Property, Plant and Equipment

The rollforward of this account follows:

	2022							
	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** (Note 8)	**Total**
Cost								
Balances at beginning of year	**₱236,029,162**	**₱2,064,502,618**	**₱1,233,297,853**	**₱190,291,349**	**₱146,702,508**	**₱54,437,379**	**₱13,893,389**	**₱3,939,154,258**
Additions (Note 27)	–	**37,265,667**	**13,990,874**	**6,470,128**	**5,345,114**	**72,429,852**	–	**135,501,635**
Retirements/disposals	–	**(2,634,912)**	**(1,890,204)**	**(5,435,210)**	**(5,319,104)**	–	–	**(15,279,430)**
Reclassifications	–	**98,652,736**	**5,505,152**	**711,812**	–	**(104,869,700)**	–	–
Balances at end of year	**236,029,162**	**2,197,786,109**	**1,250,903,675**	**192,038,079**	**146,728,518**	**21,997,531**	**13,893,389**	**4,059,376,463**

(Forward)

	2022							
	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** (Note 8)	**Total**
Accumulated depreciation								
Balances at beginning of year	**2,851,295**	**1,762,022,284**	**887,460,543**	**180,578,864**	**120,005,793**	**–**	**1,543,710**	**2,954,462,489**
Depreciation (Note 18)	**–**	**143,562,587**	**51,720,866**	**9,437,151**	**10,985,772**	**–**	**4,631,130**	**220,337,506**
Retirements/disposals	**–**	**(2,575,454)**	**(1,890,204)**	**(5,427,030)**	**(5,046,796)**	**–**	**–**	**(14,939,484)**
Balances at end of year	**2,851,295**	**1,903,009,417**	**937,291,205**	**184,588,985**	**125,944,769**	**–**	**6,174,840**	**3,159,860,511**
Net book value	**₱233,177,867**	**₱294,776,692**	**₱313,612,470**	**₱7,449,094**	**₱20,783,749**	**₱21,997,531**	**₱7,718,549**	**₱899,515,952**

	2021							
	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 (Note 8)	Total
Cost								
Balance at beginning of year	₱236,029,162	₱2,020,870,339	₱1,223,511,001	₱184,016,993	₱141,320,455	₱10,443,344	₱25,739,710	₱3,841,931,004
Additions (Note 27)	–	39,394,524	9,335,567	6,851,446	13,208,039	66,293,610	13,893,389	148,976,575
Retirements/disposals	–	(18,034,542)	–	(153,083)	(7,825,986)	–	(25,739,710)	(51,753,321)
Reclassifications	–	22,272,297	451,285	(424,007)	–	(22,299,575)	–	–
Balances at end of year	236,029,162	2,064,502,618	1,233,297,853	190,291,349	146,702,508	54,437,379	13,893,389	3,939,154,258
Accumulated depreciation								
Balances at beginning of year	2,851,295	1,620,873,831	834,805,507	168,367,900	116,740,010	–	14,963,151	2,758,601,694
Depreciation (Note 18)	–	158,523,595	52,655,036	12,364,047	10,955,214	–	7,179,612	241,677,504
Retirements/disposals	–	(17,375,142)	–	(153,083)	(7,689,431)	–	(20,599,053)	(45,816,709)
Balances at end of year	2,851,295	1,762,022,284	887,460,543	180,578,864	120,005,793	–	1,543,710	2,954,462,489
Net book value	₱233,177,867	₱302,480,334	₱345,837,310	₱9,712,485	₱26,696,715	₱54,437,379	₱12,349,679	₱984,691,769

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

As of March 31, 2022, the construction in progress mainly pertains to the improvements of factory machinery, equipment and tools and building improvements in Panasonic Philippines (PPH), Electric Fan, Refrigerator and Aircon Division. As of March 31, 2021, the construction in progress mainly pertains to the improvements of factory machinery, equipment and tools in Refrigerator Division and Aircon Division.

Additions during the year include acquisitions of property, plant and equipment on account amounted to ₱5.8 million in 2022 and 2021, respectively, recorded under 'Non-trade payable - third parties' (see Note 10). Gain on disposal and retirement of property, plant and equipment amounted to ₱1.9 million, ₱0.4 million and nil in 2022, 2021 and 2020, respectively (see Note 19). Proceeds received from the disposal and retirement of property, plant and equipment amounted to ₱2.3 million, ₱0.5 million and ₱0.4 million in 2022, 2021 and 2020, respectively.

8. Leases

Parent Company as a Lessee

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

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

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

Rent expense charged against current operations amounted to ₱11.9 million, ₱10.2 million and ₱2.4 million, respectively in 2022, 2021 and 2020, respectively (see Note 16). Rent expense in 2022 and 2021 pertains to expenses from short-term leases.

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

	2022	2021	2020
Depreciation expense of right-of-use assets (Note 7)	**₱4,631,130**	₱7,179,612	₱14,963,151
Interest expense on lease liabilities (Note 16)	**565,242**	282,553	979,388
Expenses relating to short-term leases (Note 16)	**11,913,693**	10,190,458	2,417,700
Expenses relating to low-value assets (Note 14)	**–**	–	133,200
Total amount recognized in the consolidated statement of comprehensive income	**₱17,110,065**	₱17,652,623	₱18,493,439

The rollforward of lease liability follows:

	2022	2021
Balance at beginning of year	**₱11,644,961**	₱10,708,792
Additions	**–**	13,893,389
Disposals	**–**	(5,265,270)
Accretion of interest (Note 16)	**565,242**	282,553
Payments	**(4,926,358)**	(7,974,503)
Balance at end of year	**₱7,283,845**	₱11,644,961

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

	2022	2021
Current lease liabilities	**₱4,762,604**	₱4,361,116
Noncurrent lease liabilities	**2,521,241**	7,283,845
	₱7,283,845	₱11,644,961

Shown below is the maturity analysis of the undiscounted lease payments as of March 31, 2022 and 2021:

	2022	2021
Within one (1) year	**₱5,074,140**	₱11,294,650
More than one (1) year	**2,574,559**	7,648,699
	₱7,648,699	₱18,943,349

9. Other Current Assets and Other Noncurrent Assets

Other current assets consist of the following:

	2022	2021
Creditable withholding taxes (CWTs)	**₱90,592,563**	₱91,598,330
Prepaid expenses	**47,408,227**	48,530,780
Advances to employees	**5,273,238**	5,914,497
	143,274,028	146,043,607
Less allowance for impairment losses	**3,500,000**	3,500,000
	₱139,774,028	₱142,543,607

Other noncurrent assets consist of the following:

	2022	2021
Refundable deposits	**₱19,534,167**	₱17,788,338
Financial assets at FVOCI	**1,949,301**	1,659,514
Software	**1,103,396**	1,632,272
Deferred input VAT	**580,621**	1,350,058
	₱23,167,485	₱22,430,182

CWTs
This represents taxes withheld at source by the counterparty which can be applied against future income tax liability.

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:

	2022	2021
Cost		
Balances at beginning of year	**₱110,099,686**	₱110,099,686
Additions	**156,789**	–
Write-off	**(5,396,220)**	–
Balances at end of year	**104,860,255**	110,099,686
Accumulated amortization		
Balances at beginning of year	**108,467,414**	107,464,155
Amortization (Note 18)	**685,665**	1,003,259
Write-off	**(5,396,220)**	–
Balances at end of year	**103,756,859**	108,467,414
Net book value	**₱1,103,396**	₱1,632,272

Financial assets at FVOCI

Financial assets at FVOCI pertain to the Parent Company's investments in mandatory equity shares in utility companies. The Parent Company does not intend to dispose these assets as it will continue to avail of the services of the said utility companies. The changes in fair value recognized in other comprehensive income amounted to ₱0.3 million gain in 2022, ₱0.1 million gain in 2021, and ₱3.2 million loss in 2020. Fair value changes in financial assets at FVOCI are presented as components of 'Other comprehensive income' in equity.

Dividend income earned from financial assets at FVOCI amounted to nil in 2022, 2021 and 2020.

10. Accounts Payable and Accrued Expenses

Accounts payable consist of:

	2022	2021
Trade		
Third parties	**₱645,059,973**	₱404,533,775
Related parties (Note 20)	**554,545,772**	443,414,414
Non-trade		
Related parties (Note 20)	**131,764,598**	129,272,155
Third parties (Note 7)	**5,755,069**	5,798,487
Accrued expenses		
Third parties	**1,866,476,999**	1,829,376,834
Related parties (Note 20)	**26,370,613**	21,339,728
Others		
Advances from customers	**36,348,220**	41,199,975
Output VAT – net	**26,333,592**	14,706,174
Dividends payable (Notes 13 and 20)	**–**	5,491
	₱3,292,654,836	₱2,889,647,033

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

Accrued expenses to third parties consist of:

	2022	2021
Advertising expenses and sales promotions	**₱1,153,551,000**	₱998,430,300
Suppliers	**655,164,961**	785,945,397
Salaries and other employee benefits	**34,505,654**	27,420,027
Freight expenses and releasing charges	**23,255,384**	17,581,110
	₱1,866,476,999	₱1,829,376,834

Foreign exchange gain (loss) on translation of payables amounted to (₱12.1 million), ₱8.4 million and ₱5.5 million in 2022, 2021 and 2020, respectively (see Note 19).

11. Retirement and Other Liabilities

Other liabilities account consists of:

	2022	2021
Current		
Provisions for estimated liabilities	**₱84,671,156**	₱76,686,265
Noncurrent		
Provisions for estimated liabilities	**300,581,654**	314,428,664
Other long-term employee benefits	**19,773,456**	20,780,321
	320,355,110	335,208,985
	₱405,026,266	₱411,895,250

Provisions for estimated liabilities
Current and noncurrent portion of this account follows:

	2022	2021
Current		
Warranty claims	**₱84,671,156**	₱76,686,265
Noncurrent		
Warranty claims	**10,127,844**	12,992,735
Others	**290,453,810**	301,435,929
	300,581,654	314,428,664
	₱385,252,810	₱391,114,929

The rollforward of this account follows:

	2022		
	Warranty Claims	**Others**	**Total**
Balances at beginning of year	**₱89,679,000**	**₱301,435,929**	**₱391,114,929**
Provisions for warranty claims and others (Notes 15 and 16)	**47,061,215**	**16,507,925**	**63,569,140**
Claims/usage/reclassifications	**(41,941,215)**	**(27,490,044)**	**(69,431,259)**
Balances at end of year	**₱94,799,000**	**₱290,453,810**	**₱385,252,810**

	2021		
	Warranty Claims	Others	Total
Balances at beginning of year	₱101,319,000	₱301,728,936	₱403,047,936
Provisions for (reversals of) warranty claims and others (Notes 15 and 19)	32,224,945	(13,002,589)	19,222,356
Claims/usage/reclassifications	(43,864,945)	12,709,582	(31,155,363)
Balances at end of year	₱89,679,000	₱301,435,929	₱391,114,929

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:

	2022	2021
Retirement liability under defined benefit plan	**₱140,314,890**	₱107,075,461
Others	**3,675,917**	15,369,801
	₱143,990,807	₱122,445,262

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:

	2022	2021
Discount rate		
Beginning	**4.6%**	4.9%
Ending	**5.6%**	4.6%
Salary increase rate		
Beginning	**5.0%**	5.0%
Ending	**5.0%**	5.0%
Average expected future service years	**14.2**	8.0

Changes in retirement liability under defined plan in 2022 and 2021 are as follows:

	2022		
	Present value of defined benefit obligation	**Fair value of plan assets**	**Net defined benefit liability (asset)**
Balances at beginning of year	**₱547,005,162**	**(₱439,929,701)**	**₱107,075,461**
Net benefit cost in the consolidated statement of comprehensive income (Note 17)			
Current service cost	**25,848,898**	**–**	**25,848,898**
Net interest cost (income)	**25,162,237**	**(20,236,766)**	**4,925,471**
	51,011,135	**(20,236,766)**	**30,774,369**
Benefits paid	**(59,994,831)**	**59,994,831**	**–**
Remeasurements in other comprehensive income			
Actuarial changes arising from changes in financial assumptions	**(39,453,309)**	**–**	**(39,453,309)**
Actuarial changes arising from changes in demographic assumptions	**5,134,893**	**–**	**5,134,893**
Experience adjustments	**47,325,601**	**–**	**47,325,601**
Return on plan assets	**–**	**(10,542,125)**	**(10,542,125)**
	13,007,185	**(10,542,125)**	**2,465,060**
Balances at end of year	**₱551,028,651**	**(₱410,713,761)**	**₱140,314,890**

	2021		
	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability (asset)
Balances at beginning of year	₱544,862,049	(₱431,267,507)	₱113,594,542
Net benefit cost in the consolidated statement of comprehensive income (Note 17)			
Current service cost	26,855,899	–	26,855,899
Net interest cost (income)	26,698,240	(21,132,108)	5,566,132
	53,554,139	(21,132,108)	32,422,031
Benefits paid	(34,752,826)	34,752,826	–
Remeasurements in other comprehensive income			
Actuarial changes arising from changes in financial assumptions	11,824,582	–	11,824,582
Experience adjustments	(28,482,782)	–	(28,482,782)
Return on plan assets	–	(22,282,912)	(22,282,912)
	(16,658,200)	(22,282,912)	(38,941,112)
Balances at end of year	₱547,005,162	(₱439,929,701)	₱107,075,461

Changes in other retirement liability in 2022 and 2021 are as follows:

	Present value of defined benefit obligation	
	2022	2021
Balances at beginning of year	**₱15,369,801**	₱8,997,524
Net benefit cost in the consolidated statement of comprehensive income (Note 17)		
Current service cost	**1,797,910**	824,578
Net interest cost	**707,011**	440,879
	2,504,921	1,265,457
Benefits paid	**(392,385)**	(3,398,555)
Remeasurements in other comprehensive income		
Actuarial changes arising from changes in financial assumptions	**(506,168)**	217,265
Actuarial changes arising from changes in demographic assumptions	**(3,338,997)**	–
Experience adjustments	**(9,961,255)**	8,288,110
	(13,806,420)	8,505,375
Balances at end of year	**₱3,675,917**	₱15,369,801

Rollforward of remeasurement losses in 2022 and 2021 on retirement follows:

	2022	2021
Balance at the beginning of year	**(₱124,886,412)**	(₱146,865,832)
Remeasurement gain (loss) on retirement plan in OCI		
Due to change in financial assumption	**39,959,477**	(12,041,847)
Due to change in demographic assumption	**(1,795,896)**	–
Due to experience	**(37,364,346)**	20,194,672
Actuarial gain (loss) on plan assets	**10,542,125**	22,282,912
Remeasurement gain during the year	**11,341,360**	30,435,737
Tax effect	**(2,835,340)**	(8,456,317)
Remeasurement gain on retirement plan during the year, net of tax effect	**8,506,020**	21,979,420
Balance at the end of year	**(₱116,380,392)**	(₱124,886,412)

Movement of remeasurement gain (loss) to be recognized in OCI in 2022 and 2021 follows:

	2022	2021	2020
Actuarial gain (loss):			
Due to change in financial assumption	**₱39,959,477**	(₱12,041,847)	(₱32,703,820)
Due to experience	**(37,364,346)**	20,194,672	9,458,495
Due to change in demographic assumption	**(1,795,896)**	–	–
	799,235	8,152,825	(23,245,325)
Actuarial gain (loss) on plan assets	**10,542,125**	22,282,912	(68,780,291)
Total gain (loss) to be recognized in OCI	**11,341,360**	30,435,737	(92,025,616)
Tax effect	**(2,835,340)**	(8,456,317)	29,914,471
Total gain (loss) to be recognized in OCI, net of tax effect	**₱8,506,020**	₱21,979,420	(₱62,111,145)

Other long-term employee benefits

Other long-term employee benefits pertain to accumulated sick leave and vacation leave. 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:

	2022	2021
Discount rate		
Beginning	**4.5%**	4.9%
Ending	**5.6%**	4.5%
Salary increase rate		
Beginning	**5.0%**	5.0%
Ending	**5.0%**	5.0%
Average expected future service years	**14.2**	8.0
Average accumulated sick leaves	**30.6 days**	37.3 days
Average accumulated vacation leaves	**7.2 days**	10.4 days

Other long-term employee benefits incurred in 2022, 2021 and 2020 amounted to ₱2.0 million, ₱1.3 million and ₱4.2 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, 2022.

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, 2022 and 2021, assuming all other assumptions were held constant:

	Increase/ (Decrease)	**2022**	2021
Discount rates	+1.0%	**(₱516,643,659)**	(₱523,751,911)
	-1.0%	**598,288,138**	605,636,335
Future salary increases	1.0%	**598,111,847**	601,423,729
	-1.0%	**(516,095,892)**	(526,746,499)

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

	2022	2021
Less than 1 year to 5 years	**₱354,963,475**	₱253,604,809
More than 5 years to 10 years	**351,546,887**	404,005,132
More than 10 years to 15 years	**200,604,096**	268,677,037
More than 15 years	**1,395,785,981**	395,736,075

The average duration of the defined benefit obligation as of March 31, 2022, 2021 and 2020 is 13.1 years, 14.6 years, and 9.0 years, respectively. The Parent Company expects to contribute ₱140.3 million to the defined benefit plan in 2022.

The distribution of plan assets by each class as at the end of the reporting period of the Parent Company are as follow (see Note 20):

	2022	2021
Cash and cash equivalents	**₱94,133,895**	₱132,778,119
Loans and receivables	**58,024,058**	51,698,484
Investments	**258,555,808**	255,453,098
	₱410,713,761	₱439,929,701

12. Capital Stock

Details of capital stock as of March 31, 2022 and 2021 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, 2022 and 2021, 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 463 and 460 stockholders as of March 31, 2022 and 2021, 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, 2022 and 2021:

	2022	2021
Capital stock	**₱422,718,020**	₱422,718,020
Additional paid-in capital	**4,779,762**	4,779,762
Other comprehensive loss	**(115,391,581)**	(124,187,388)
Retained earnings (Note 13)		
Appropriated	**3,892,400,000**	3,842,400,000
Unappropriated	**476,835,568**	583,016,225
	₱4,681,341,769	₱4,728,726,619

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 ₱221.7 million, ₱63.1 million, and ₱88.7 million in 2022, 2021 and 2020, 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, 2022, 2021 and 2020, 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, 2022 and 2021 amounted to ₱320.8 million and ₱419.2 million, respectively.

In 2022 and 2021, 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 18, 2022, the Parent Company's BOD authorized and directed the reversal of the appropriated retained earnings amounting to ₱696.1 million. On the same date, the BOD authorized the appropriation of retained earnings amounting to ₱746.1 million, having a total appropriated retained earnings amounting to ₱3.9 billion of which, ₱3.6 billion, represents the reinstatement of the previous appropriations for in-plant production of plastic and metal parts, the

Group's change of IT System and other future projects of the Parent Company, while the additional ₱293.9 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 2022 were delayed. These projects are expected to be completed by 2030.

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

d. 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.

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

	2022	2021	2020
March 31, 2022, 52.45% cash dividends to stockholders of record as of June 4, 2021 payable on June 25, 2021 (₱0.52 per share)	**₱221,707,200**	₱–	₱–
March 31, 2021, 14.98% cash dividends to stockholders of record as of May 21, 2020 payable on May 29, 2020 (₱0.15 per share)	–	63,059,220	
March 31, 2020, 20.99% cash dividends to stockholders of record as of April 22, 2019 payable on May 24, 2019 (₱0.21 per share)	–	–	88,736,084
	₱221,707,200	₱63,059,220	₱88,736,084

14. Cost of Goods Sold

This account consists of:

	2022	2021	2020
Direct materials	**₱4,964,010,558**	₱4,274,434,406	₱4,421,047,221
Direct labor (Note 17)	**261,514,957**	252,061,884	238,434,796
Manufacturing overhead:			
Indirect labor (Note 17)	**212,484,130**	188,549,901	187,835,092
Depreciation and amortization (Note 18)	**191,851,232**	207,480,273	213,007,314
Research and development	**95,428,523**	92,845,002	74,583,358
Electricity, gas and water	**58,108,747**	50,017,236	64,094,710
Repairs and maintenance	**29,842,190**	30,491,524	38,832,358
Travel	**28,818,234**	36,192,067	13,277,711
Indirect materials	**27,786,166**	23,378,276	24,609,071
Supplies	**20,224,405**	18,147,063	17,543,490
Insurance	**12,855,472**	10,436,315	11,494,301
Taxes and dues	**4,857,552**	5,211,524	4,261,158
Provision for inventory write-down (Note 6)	**(5,469,240)**	39,768,022	15,805,533
Others	**35,552,004**	30,706,782	31,583,065
Total manufacturing overhead	**712,339,415**	733,223,985	696,927,161
Total manufacturing costs	**5,937,864,930**	5,259,720,275	5,356,409,178
Goods in process (Note 6):			
Beginning of year	**11,664,068**	14,434,667	10,564,748
End of year	**(15,856,653)**	(11,664,068)	(14,434,667)
Cost of goods manufactured	**5,933,672,345**	5,262,490,874	5,352,539,259
Finished goods and merchandise (Note 6):			
Beginning of year	**1,055,907,812**	1,002,859,251	1,101,361,371
Purchases	**3,845,982,857**	2,989,180,052	3,965,590,561
Provision for inventory write-down (Note 6)	**87,467,535**	118,191,394	91,639,506
End of year	**(878,214,931)**	(1,055,907,812)	(1,002,859,251)
	₱10,044,815,618	₱8,316,813,759	₱9,508,271,446

15. Selling Expenses

This account consists of:

	2022	2021	2020
Sales promotions	**₱882,437,705**	₱714,756,208	₱641,408,369
Freight and storage	**297,796,230**	371,053,414	400,499,134
Advertising and commissions	**101,713,350**	86,241,790	156,088,105
Provision for warranty claims (Note 11)	**47,061,215**	32,224,945	67,830,925
	₱1,329,008,500	₱1,204,276,357	₱1,265,826,533

16. General and Administrative Expenses

This account consists of:

	2022	2021	2020
Salaries, wages, and employee benefits (Note 17)	**₱396,064,396**	₱359,192,796	₱361,024,343
Technical assistance fees (Note 20)	**196,100,321**	180,653,122	183,881,413
Brand license fees (Note 20)	**86,469,562**	74,391,393	87,067,735
Repairs and maintenance	**75,992,795**	68,909,910	81,329,931
Taxes and dues	**67,078,620**	51,858,318	53,545,513
Outsourcing	**44,641,035**	46,612,439	66,761,475
Depreciation and amortization (Note 18)	**29,171,939**	35,200,490	46,278,978
Travel	**21,538,136**	14,148,487	36,293,845
Insurance	**19,087,372**	17,075,708	17,317,756
Provision for other estimated liabilities (Note 11)	**16,507,925**	–	–
Allocated costs	**16,355,113**	13,951,945	16,434,401
Rent	**11,913,693**	10,190,458	2,417,700
Supplies	**9,244,574**	8,622,030	13,684,111
Communications	**8,889,031**	7,443,917	6,864,080
Freight and storage	**3,219,972**	3,241,576	2,717,158
Product testing	**3,015,915**	1,544,206	952,514
Electricity, gas and water	**2,716,722**	6,645,314	6,432,376
Provision for overhead expense	**2,721,459**	3,168,000	2,240,000
Conference	**2,145,245**	554,968	5,449,693
Interest expense on lease liabilities (Note 8)	**565,242**	282,553	979,388
Provision for credit losses (Note 5)	–	7,944,612	–
Others	**51,236,054**	38,742,484	53,642,429
	₱1,064,675,121	₱950,374,726	₱1,045,314,839

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

17. Salaries, Wages and Employee Benefits

This account consists of:

	2022	2021	2020
Compensation	**₱713,139,020**	₱655,497,907	₱637,149,431
Net retirement benefit expense (Note 11)	**33,279,290**	33,687,488	30,754,766
Other employee benefits	**123,645,173**	110,619,186	119,390,034
	₱870,063,483	₱799,804,581	₱787,294,231

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

	2022	2021	2020
Cost of goods sold (Note 14)	**₱473,999,087**	₱440,611,785	₱426,269,888
General and administrative expenses (Note 16)	**396,064,396**	359,192,796	361,024,343
	₱870,063,483	₱799,804,581	₱787,294,231

18. Depreciation and Amortization

Details of depreciation and amortization follow:

	2022	2021	2020
Property, plant and equipment (Note 7)	**₱220,337,506**	₱241,677,504	₱257,991,155
Software (Note 9)	**685,665**	1,003,259	1,295,137
	₱221,023,171	₱242,680,763	₱259,286,292
Cost of goods sold (Note 14)	**₱191,851,232**	₱207,480,273	₱213,007,314
General and administrative expenses (Note 16)	**29,171,939**	35,200,490	46,278,978
	₱221,023,171	₱242,680,763	₱259,286,292

19. Other Income - net

This account consists of:

	2022	2021	2020
Service income (Note 20)	**₱49,743,294**	₱41,463,421	₱53,530,775
Interest income (Note 4)	**31,271,616**	32,503,149	73,510,148
Foreign currency exchange loss - net (Notes 4, 5 and 10)	**(15,346,107)**	(29,989,340)	(25,846,639)
Reversal of other estimated liabilities (Note 11)	**–**	13,002,589	42,711,933
Income from scrap sales	**17,645,716**	9,103,411	8,015,541
Gain on disposal/retirement of property, plant and equipment and software (Note 7)	**1,932,528**	351,723	–
Recovery of allowance for credit losses (Note 5)	**6,175,383**	–	598,229
Miscellaneous income	**–**	584,443	–
	₱91,422,430	₱67,019,396	₱152,519,987

Unrealized foreign exchange gain (loss) amounted to ₱4.0 million, ₱0.3 million and (₱4.1 million) in 2022, 2021 and 2020, respectively. Miscellaneous income includes insurance claims and rental.

20. 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 Divisionof 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.

	2022		
	Nature, terms and conditions	**Amount/ Volume**	**Outstanding Balance**
Ultimate Parent Company			
Non-trade receivables (Note 5)	Related to compensation and welfare expenses of certain employee, 30-days term, non-interest bearing, unsecured	**₱1,726,145**	**₱768,546**
	Related to promo support, 30-day term, non-interest bearing, unsecured	**3,915,044**	**1,253,141**
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	**100,350**	**42,739,394**
	Related to technical assistance fees payable equivalent to 3.0% of selected products, non-interest bearing, payable semi-annually, unsecured	**176,490,289**	**89,025,204**
Dividends payable (Note 10)	Dividends declared by the Parent Company	**159,542,784**	–
Accrued expenses (Note 10)	Related to compensation and welfare expenses of certain employees, payable quarterly, non-interest bearing, unsecured	**65,078,149**	**11,888,826**
(Forwarded)			
	Related to communication expenses incurred, 30-day term, non-interest bearing, unsecured	**12,012,979**	**2,298,425**
	Accrued expenses related to export sales of the ACD (e.g. warranty expenses)	**8,223,013**	**111,117**
Technical assistance fee (Note 16)	Related to technical assistance fees payable equivalent to 3.0% of selected products	**196,100,321**	–
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"	**86,469,562**	–
Affiliates			
Trade receivables (Note 5)	Sale of airconditioner units products, 30-day term, non-interest bearing, unsecured, no impairment	**1,590,145,823**	**173,907,867**
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	**60,154,767**	**7,798,224**
	Related to promo support, 30-day term, non-interest bearing, unsecured, no impairment	**45,751,667**	**24,664,524**
	Related to certain expenses paid in behalf of affiliates, 30-day term, non-interest bearing, unsecured, no impairment	**7,451,586**	**7,901,423**

		2022	
	Nature, terms and conditions	**Amount/ Volume**	**Outstanding Balance**
	Related to MRO system charged by the Parent Company to a lessee-affiliate, 30-day term, non-interest bearing, unsecured, no impairment	**₱–**	**₱49,600**
Trade payable (Note 10)	Purchase of raw materials, merchandise and other spare parts, 30-day term, non-interest bearing, unsecured	**5,285,022,119**	**554,545,772**
Accrued expenses (Note 10)	Related to expenses payable for management fee, 30-day term, non-interest bearing, unsecured	**16,354,213**	**3,104,400**
	Related to communication expenses incurred, 30-day term, non-interest bearing, unsecured	**8,820,536**	**3,495,155**
	Related to allocated costs charged to the Company for certain services, 30-day term, non-interest bearing, unsecured	**2,153,167**	**–**
	Accrued expenses related to product development cost of Aircon	**65,371,986**	**5,472,690**
Service income (Note 19)	Related to service income earned from rendering services in the form of general advice and assistance fees	**49,743,294**	**–**

		2021	
	Nature, terms and conditions	Amount/ Volume	Outstanding Balance
Ultimate Parent Company			
Non-trade receivables (Note 5)	Related to compensation and welfare expenses of certain employee, 30-days term, non-interest bearing, unsecured	₱10,137,380	₱8,636,852
	Related to promo support, 30-day term, non-interest bearing, unsecured	38,052,828	2,760,322
Non-trade payables (Note 10)	Related to brand license fees payable equivalent to 0.7% of the sales price of the products bearing the brand "KDK" and "Panasonic", non-interest bearing, payable semi-annually, unsecured	74,391,393	39,653,718
	Related to technical assistance fees payable equivalent to 3.0% of selected products, non-interest bearing, payable semi-annually, unsecured	162,587,810	89,618,437
Dividends payable (Note 10)	Dividends declared by the Parent Company	45,568,430	5,491
Accrued expenses (Note 10)	Related to compensation and welfare expenses of certain employees, payable quarterly, non-interest bearing, unsecured	64,703,690	16,519,094
	Related to communication expenses incurred, 30-day term, non-interest bearing, unsecured	9,434,539	1,460,311
	Accrued expenses related to export sales of the ACD (e.g. warranty expenses)	1,729,653	1,313,909

(Forward)

	2021		
	Nature, terms and conditions	Amount/ Volume	Outstanding Balance
Technical assistance fee (Note 16)	Related to technical assistance fees payable equivalent to 3.0% of selected products	₱180,653,122	₱–
Brand license fee (Note 16)	Related to brand license fees payable equivalent to 1.0% of the sales price of the products bearing the brand "KDK" and "Panasonic"	74,391,393	–
Affiliates			
Trade receivables (Note 5)	Sale of airconditioner units products, 30-day term, non-interest bearing, unsecured, no impairment	1,302,724,774	132,915,917
Non-trade receivables (Note 5)	Related to service income from rendering services in the form of general advice and assistance fees, 30-day term, non-interest bearing, unsecured, no impairment	67,295,297	7,130,386
	Related to promo support, 30-day term, non-interest bearing, unsecured, no impairment	81,480,559	43,157,799
	Related to certain expenses paid in behalf of affiliates, 30-day term, non-interest bearing, unsecured, no impairment	17,364,080	1,347,587
	Related to MRO system charged by the Parent Company to a lessee-affiliate, 30-day term, non-interest bearing, unsecured, no impairment	2,121,880	150,629
Trade payable (Note 10)	Purchase of raw materials, merchandise and other spare parts, 30-day term, non-interest bearing, unsecured	3,766,491,574	443,414,414
Accrued expenses (Note 10)	Related to expenses payable for management fee, 30-day term, non-interest bearing, unsecured	13,950,745	1,327,902
	Related to communication expenses incurred, 30-day term, non-interest bearing, unsecured	4,581,732	–
	Related to allocated costs charged to the Company for certain services, 30-day term, non-interest bearing, unsecured	4,261,481	264,378
	Accrued expenses related to product development cost of Aircon	66,289,342	454,134
Service income (Note 19)	Related to service income earned from rendering services in the form of general advice and assistance fees	41,463,421	–

	2020		
	Nature, terms and conditions	Amount/ Volume	Outstanding Balance
Ultimate Parent Company			
Non-trade receivables (Note 5)	Related to compensation and welfare expenses of certain employee, 30-days term, non-interest bearing, unsecured	₱13,551,227	₱4,272,571
	Related to promo support, 30-day term, non-interest bearing, unsecured	15,765,302	12,765,742
Non-trade payables (Note 10)	Related to brand license fees payable equivalent to 0.7% of the sales price of the products bearing the brand "KDK" and "Panasonic", non-interest bearing, payable semi-annually, unsecured	87,067,735	37,180,355
	Related to technical assistance fees payable equivalent to 3.0% of selected products, non-interest bearing, payable semi-annually, unsecured	165,599,780	74,739,624
Dividends payable (Note 10)	Dividends declared by the Parent Company	70,953,373	2,513
Accrued expenses (Note 10)	Related to compensation and welfare expenses of certain employees, payable quarterly, non-interest bearing, unsecured	64,792,798	11,030,339
	Related to communication expenses incurred, 30-day term, non-interest bearing, unsecured	10,498,553	1,000,172
	Accrued expenses related to export sales of the ACD (e.g. warranty expenses)	3,419,138	2,136,454
	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	–
Affiliates			
Trade receivables (Note 5)	Sale of airconditioner units products, 30-day term, non-interest bearing, unsecured, no impairment	1,042,752,733	108,537,336
Non-trade receivables (Note 5)	Related to service income from rendering services in the form of general advice and assistance fees, 30-day term, non-interest bearing, unsecured, no impairment	78,561,616	11,279,680
	Related to promo support, 30-day term, non-interest bearing, unsecured, no impairment	127,518,714	33,987,083
	Related to certain expenses paid in behalf of affiliates, 30-day term, non-interest bearing, unsecured, no impairment	12,485,465	1,190,494
	Related to MRO system charged by the Parent Company to a lessee-affiliate, 30-day term, non-interest bearing, unsecured, no impairment	3,605,534	305,820

(Forward)

	2020		
	Nature, terms and conditions	Amount/ Volume	Outstanding Balance
Trade payable (Note 10)	Purchase of raw materials, merchandise and other spare parts, 30-day term, non-interest bearing, unsecured	₱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 19)	Related to service income earned from rendering services in the form of general advice and assistance fees	53,530,775	–

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, 2022 and 2021 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 2022, 2021 and 2020, 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, 2022 and 2021. 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, 2022 and 2021, 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 2022, 2021 and 2020. 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:

	2022	2021	2020
Short-term employee benefits	**₱53,361,273**	**₱45,968,958**	₱58,169,352
Post-employment benefits	**4,002,458**	**4,338,871**	4,390,861
	₱57,363,731	**₱50,307,829**	₱62,560,213

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, 2022 and carried at fair value. The Retirement Fund recognized a remeasurement gain (loss) amounting to ₱10.5 million and ₱22.3 million in 2022 and 2021, 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, 2022 and 2021, certain loans and receivables amounting to ₱58.0 million and ₱51.7 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 two (2) to four (4) years. Investments include equity instruments which have quoted market prices except for the investment in PERC amounting to ₱60.6 million as of March 31, 2022 and 2021. The fair value of investment in quoted equity instruments as of March 31, 2022 and 2021 amounted to ₱143.0 million and ₱136.4 million, respectively. Investments also include investment properties pertaining to a parcel of land held for capital appreciation amounting to ₱18.8 million and ₱18.0 million as of March 31, 2022 and 2021.

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, 2022 and 2021.

21. 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.

22. Income Taxes

The provision for income tax consists of:

	2022	2021	2020
Current			
RCIT	**₱66,768,009**	₱73,887,590	₱121,732,910
Gross income tax (GIT)	**19,476,467**	23,469,912	18,606,449
Deferred	**(8,319,823)**	23,276,722	(26,740,088)
	₱77,924,653	₱120,634,224	₱113,599,271

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:

	2022	2021	2020
Income tax at statutory income tax rate	**₱63,308,442**	₱135,591,343	₱72,096,274
Additions to (reductions in) income taxes resulting from:			
Movement in unrecognized deferred tax assets	**13,745,378**	6,734,988	78,791,189
Income from PEZA registered activities	**3,852,743**	(19,928,217)	(23,262,547)
Income subjected to final tax	**(3,158,894)**	(3,592,025)	(16,303,888)
Non-deductible expenses (non-taxable income)	**6,285**	1,828,135	2,278,243
Excess MCIT over RCIT	**170,699**	–	–
	₱77,924,653	₱120,634,224	₱113,599,271

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

	2022	2021
Deferred tax assets:		
Provisions for estimated liabilities and other accruals	**₱52,709,938**	₱34,245,166
Retirement liability (Note 11)	**44,665,484**	54,647,457
Allowance for inventory losses	**24,251,988**	22,102,109
Unamortized past service cost	**16,112,875**	19,781,760
Allowance for credit and probable losses	**1,524,250**	3,068,096
Lease liability	**1,820,961**	2,911,240
	141,085,496	136,755,828
Deferred tax liabilities:		
Net book value of replacement and burned property, plant and equipment	**5,278,363**	6,430,878
Right-of-use asset	**1,929,637**	3,087,420
Unrealized foreign currency exchange gain - net	**1,204,390**	48,907
	8,412,390	9,567,205
	₱132,673,106	₱127,188,623

Movements in net deferred tax assets comprise of:

	2022	2021
At beginning of the year	**₱127,188,623**	₱168,745,041
Amounts credited to statements of income	**8,063,016**	(23,276,722)
Amount charged against statements of comprehensive income	**(2,578,533)**	(18,279,696)
At end of the year	**₱132,673,106**	₱127,188,623

As of March 31, 2022 and 2021, the Group did not recognize deferred tax assets amounting to ₱340.5 million and ₱402.3 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 nil and ₱0.2 million in 2022 and 2021, respectively.

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

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

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

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

Based on the provisions of Revenue Regulations (RR) No. 5-2021 dated April 8, 2021 issued by the BIR, the prorated CIT rate for the year ended March 31, 2021 of the Parent Company and Subsidiary for FY2021 is 26.25% and 22.5%, respectively.

23. 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.

24. 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:

	2022	2021	2020
Net income attributable to the equity holders of the Parent Company (a)	**₱165,526,543**	₱357,239,514	₱126,066,914
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)	**₱0.39**	₱0.85	₱0.30

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.

25. 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.

Life Solutions (LS) – This segment includes lamps, ventilation fans, Panasonic Nanoe Generator (PNG) and other lighting accessories primarily use and sell to business consumers or thru distributors and dealers.

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):

	2022					
	Consumer	**SSG**	**LS**	**Others**	**Adjustments/ Eliminations**	**Total**
Consolidated Statement of Comprehensive Income						
Net sales	**₱12,191,108**	**₱169,849**	**₱109,054**	**₱120,523**	**₱–**	**₱12,590,534**
Cost of goods sold (Note 14)	**(9,704,459)**	**(139,021)**	**(97,893)**	**(103,443)**	**–**	**(10,044,816)**
Selling expenses (Note 15)	**(1,364,492)**	**(2,397)**	**37,282**	**599**	**–**	**(1,329,008)**
General and administrative expenses (Note 16)	**(980,393)**	**(25,412)**	**(42,928)**	**(15,942)**	**–**	**(1,064,675)**
Other income - net (Note 19)	**90,942**	**7**	**183**	**290**	**–**	**91,422**
Income before income tax	**₱232,706**	**₱3,026**	**₱5,698**	**₱2,027**	**₱–**	**243,457**
Provision for income tax (Note 22)						**77,925**
Net income						**₱165,532**
Consolidated Statement of Financial Position						
Segment assets	**₱3,382,867**	**₱297,522**	**₱50,728**	**₱4,740,048**	**₱132,673[1]**	**₱8,603,838**
Segment liabilities	**2,833,716**	**52,352**	**18,247**	**944,641**	**–**	**3,848,956**
Other Segment Information						
Capital expenditures[2] (Notes 7 and 9)	**4,881**	**166**	**–**	**130,611**	**–**	**135,658**
Depreciation and amortization[3] (Note 18)	**11,647**	**649**	**332**	**208,395**	**–**	**221,023**
Interest income[4] (Note 19)	**31,272**	**–**	**–**	**–**	**–**	**31,272**

1. Segment assets do not include deferred tax assets amounting to ₱132.7 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.

	2021					
	Consumer	SSG	LS	Others	Adjustments/ Eliminations	Total
Consolidated Statement of Comprehensive Income						
Net sales	₱10,483,965	₱181,337	₱117,244	₱100,549	₱–	₱10,883,095
Cost of goods sold (Note 14)	(7,978,269)	(131,880)	(95,874)	(110,790)	–	(8,316,813)
Selling expenses (Note 15)	(1,216,898)	(22,418)	25,714	9,326	–	(1,204,276)
General and administrative expenses (Note 16)	(942,861)	(23,746)	(38,247)	54,479	–	(950,375)
Other income - net (Note 19)	85,251	(505)	40	(17,767)	–	67,019
Income before income tax	₱431,188	₱2,788	₱8,877	₱35,797	₱–	478,650
Provision for income tax (Note 22)						120,634
Net income						₱358,016
Consolidated Statement of Financial Position						
Segment assets	₱3,325,386	₱282,415	₱43,657	₱4,459,246	₱127,189[1]	₱8,237,893
Segment liabilities	1,512,590	7,917	4,067	1,911,059	–	3,435,633
Other Segment Information						
Capital expenditures[3] (Notes 7 and 9)	14,582	–	42	134,353	–	148,977
Depreciation and amortization[4] (Note 18)	12,915	1,050	457	228,259	–	242,681
Interest income[5] (Note 19)	32,503	–	–	–	–	32,503

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

	2020					
	Consumer	SSG	LS	Others	Adjustments/ Eliminations	Total
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 19)	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 22)						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[3] (Notes 7 and 9)	345,116	1,534	–	1,736	–	348,386
Depreciation and amortization[4] (Note 18)	255,573	2,747	–	966	–	259,286
Interest income[5] (Note 19)	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.

Geographic Information

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

	2022	2021	2020
Philippines	**₱11,000,388**	₱9,580,370	₱10,864,195
Hongkong	**1,590,146**	1,302,725	1,031,580
Africa	**–**	–	11,173
	₱12,590,534	₱10,883,095	₱11,906,948

The Parent Company has two customers each representing 10.0% or more of the Parent Company's total revenue amounting to ₱4.2 billion in 2022 and ₱3.3 billion in 2021.

Disaggregated revenue information

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

	2022				
	Consumer	**SSG**	**LS**	**Others**	**Total**
B2B sales	**₱343,367**	**₱169,849**	**₱109,054**	**₱120,523**	**₱742,793**
B2C sales	**11,847,741**	**–**	**–**	**–**	**11,847,741**
	₱12,191,108	**₱169,849**	**₱109,054**	**₱120,523**	**₱12,590,534**

	2021				
	Consumer	SSG	LS	Others	Total
B2B sales	₱306,710	₱181,337	₱117,244	₱100,549	₱705,840
B2C sales	10,177,255	–	–	–	10,177,255
	₱10,483,965	₱181,337	₱117,244	₱100,549	₱10,883,095

	2020				
	Consumer	SSG	LS	Others	Total
B2B sales	₱394,148	₱396,001	₱–	₱61,721	₱851,870
B2C sales	10,969,400	–	–	85,678	11,055,078
	₱11,363,548	₱396,001	₱–	₱147,399	₱11,906,948

26. 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, 2022 and 2021, 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, 2022 and 2021.

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, 2022, the Group had two customers that owed it for a total amount of ₱572.6 million that accounts for more than 36.3% of the total trade receivables outstanding. As of March 31, 2021, the Group had two customers that owed it for a total amount of ₱450.2 million that accounts for more than 34.6% of the total trade receivables outstanding.

As of March 31, 2022 and 2021, 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
2022	**₱1,696,071,771**	**₱3,939,868,500**	**₱207,971,411**	**₱1,488,100,360**
2021	₱1,386,067,596	₱3,085,573,000	₱241,312,613	₱1,144,754,984

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, 2021 and March 31, 2022.

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:

	2022				
	Current	**More than 30 days**	**More than 60 days**	**More than 90 days**	**Total**
Trade receivables					
Expected credit loss rate	**1.23%**	**10.71%**	**22.97%**	**25.77%**	
Total gross carrying amount	**₱1,694,401,502**	**₱528,699**	**₱836,078**	**₱305,492**	**₱1,696,071,771**
Expected credit losses	**5,428,956**	**115,541**	**391,893**	**160,610**	**6,097,000**

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

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:

	2022					
	On demand	**Up to 1 month**	**1 to 3 months**	**3 to 12 months**	**Beyond 1 year**	**Total**
Financial Assets						
Cash in banks	**₱1,839,194,454**	**₱–**	**₱–**	**₱–**	**₱–**	**₱1,839,194,454**
Cash equivalents*	**–**	**1,220,438,623**	**103,522,082**	**–**	**–**	**1,323,960,705**
Receivables						
Trade						
Domestic	**1,504,092,298**	**10,972,381**	**857,343**	**144,882**	**–**	**1,516,066,904**
Export	**–**	**173,907,867**	**–**	**–**	**–**	**173,907,867**
Non-trade	**–**	**76,419,384**	**–**	**–**	**–**	**76,419,384**
	3,343,286,752	**1,481,738,255**	**104,379,425**	**144,882**	**–**	**4,929,549,314**
Financial assets at FVOCI	**–**	**–**	**–**	**–**	**1,949,301**	**1,949,301**
Refundable deposits	**–**	**19,534,167**	**–**	**–**	**–**	**19,534,167**
	3,343,286,752	**1,501,272,422**	**104,379,425**	**144,882**	**1,949,301**	**4,951,032,782**
Financial Liabilities						
Lease liability*	**–**	**–**	**1,249,790**	**3,824,349**	**2,574,559**	**7,648,698**
Accounts payable and accrued expenses**	**–**	**2,052,919,949**	**9,976,078**	**1,162,348,488**	**41,972,416**	**3,267,216,931**
	–	**2,052,919,949**	**11,225,868**	**1,166,172,837**	**44,546,975**	**3,274,865,629**
	₱3,343,286,752	**(₱551,647,527)**	**₱93,153,557**	**(₱1,166,027,955)**	**(₱42,597,674)**	**₱1,676,167,153**

**Includes future interest*
***Excludes statutory liabilities amounting to ₱25.4 million*

	2021					
	On Demand	Up to 1 month	1 to 3 months	3 to 12 months	Beyond 1 year	Total
Financial Assets						
Cash in banks	₱1,126,220,585	₱–	₱–	₱–	₱–	₱1,126,220,585
Cash equivalents*	–	2,140,210,501	477,337,018	–	–	2,617,547,519
Receivables						
Trade						
Domestic	1,206,321,238	33,951,774	592,608	13,676	–	1,240,879,296
Export	–	132,915,917	–	–	–	132,915,917
Non-trade	–	102,843,649	–	–	–	102,843,649
	2,332,541,823	2,409,921,841	477,929,626	13,676	–	5,220,406,966
Financial assets at FVOCI	–	–	–	–	1,659,514	1,659,514
Refundable deposits	–	17,788,338	–	–	–	17,788,338
	2,332,541,823	2,427,710,179	477,929,626	13,676	1,659,514	5,239,854,818
Financial Liabilities						
Lease liability*	–	–	4,336,122	6,958,528	7,648,699	18,943,349
Accounts payable and accrued expenses**	–	1,775,214,829	9,301,470	1,012,191,607	71,239,090	2,867,946,996
	–	1,775,214,829	13,637,592	1,019,150,135	78,887,789	2,886,890,345
	₱2,332,541,823	₱652,495,350	₱464,292,034	(₱1,019,136,459)	(₱77,228,275)	₱2,352,964,473

**Includes future interest*
***Excludes statutory liabilities amounting to ₱21.7 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, 2022 and 2021, the foreign currency-denominated financial assets and financial liabilities in original currencies and their Philippine Peso (PHP) equivalents are as follows:

	2022			
	USD	**JPY**	**SGD**	**Equivalents in PHP**
Financial assets				
Cash and cash equivalents	**5,525,011**	**1,933,700**	**–**	**286,688,397**
Receivables	**4,117,793**	**1,246,160**	**–**	**213,585,833**
	9,642,804	**3,179,860**	**–**	**500,274,230**
Financial liabilities				
Accounts payable and accrued expenses	**16,344,221**	**(9,840,448)**	**–**	**841,455,033**

	2021			
	USD	JPY	SGD	Equivalents in PHP
Financial assets				
Cash and cash equivalents	13,817,432	5,252,544	–	672,866,892
Receivables	3,831,380	463,207	–	186,140,312
	17,648,812	5,715,751	–	859,007,204
Financial liabilities				
Accounts payable and accrued expenses	12,761,029	28,385,451	–	631,759,627

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
2022	**+8%**	**₱25,683,804**
	-8%	**(30,150,553)**
2021	+8%	₱17,570,675
	-8%	(20,626,444)

	Increase/ decrease in JPY rate	Effect on income before tax
2022	**+7%**	**(₱363,121)**
	-7%	**417,784**
2021	+7%	(₱651,362)
	-7%	749,416

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, 2022 and 2021, 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, refundable deposits and other assets
Carrying amounts of cash in banks, cash equivalents, receivables, refundable deposits and other assets 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 of quoted equity securities 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.

27. Notes to Statements of Cash Flows

Cash flows from investing activities include acquisitions of property, plant and equipment on account amounting to ₱5.8 million, ₱5.8 million and ₱7.2 million in 2022, 2021 and 2020, respectively (see Notes 7 and 10).

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

	March 31, 2022			
	Beginning balance	**Cash flows**	**Non-cash changes**	**Ending balance**
Lease liability (Note 8)	**₱11,644,961**	**(₱4,926,358)**	**₱565,242**	**₱7,283,845**
Dividends payable (Notes 10 and 13)	**5,491**	**(221,712,691)**	**221,707,200**	**–**
Total liabilities from financing activities	**₱11,650,452**	**(₱226,639,049)**	**₱222,272,442**	**₱7,283,845**

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

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

In 2021, the Parent Company recognized right-of-use asset amounting to ₱13.9 million (see Note 7) and lease liability amounting to ₱13.9 million, respectively (see Note 8).

28. Approval of the Release of Consolidated Financial Statements

The accompanying consolidated financial statements were approved and authorized for issue by the Parent Company's BOD on June 9, 2022.

29. Events after the Reporting Period

On May 20, 2022, the Parent Company's Board of Directors approved the declaration of 24.89% (₱0.2489 per share) cash dividends to stockholders of record as of June 4, 2022 amounting to ₱105.21 million payable on June 25, 2022.

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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, 2022 and for each of the three years in the period ended March 31, 2022, included in this Form 17-A and have issued our report thereon dated June 9, 2022. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to the 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 consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated 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 consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Juan Carlo Maminta

Juan Carlo B. Maminta
Partner
CPA Certificate No. 115260
Tax Identification No. 210-320-399
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 115260-SEC (Group A)
Valid to cover audit of 2020 to 2024 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-132-2020, November 27, 2020, valid until November 26, 2023
PTR No. 8854326, January 3, 2022, Makati City
June 9, 2022

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

Annex I

PANASONIC MANUFACTURING PHILIPPINES CORPORATION (PARENT COMPANY)

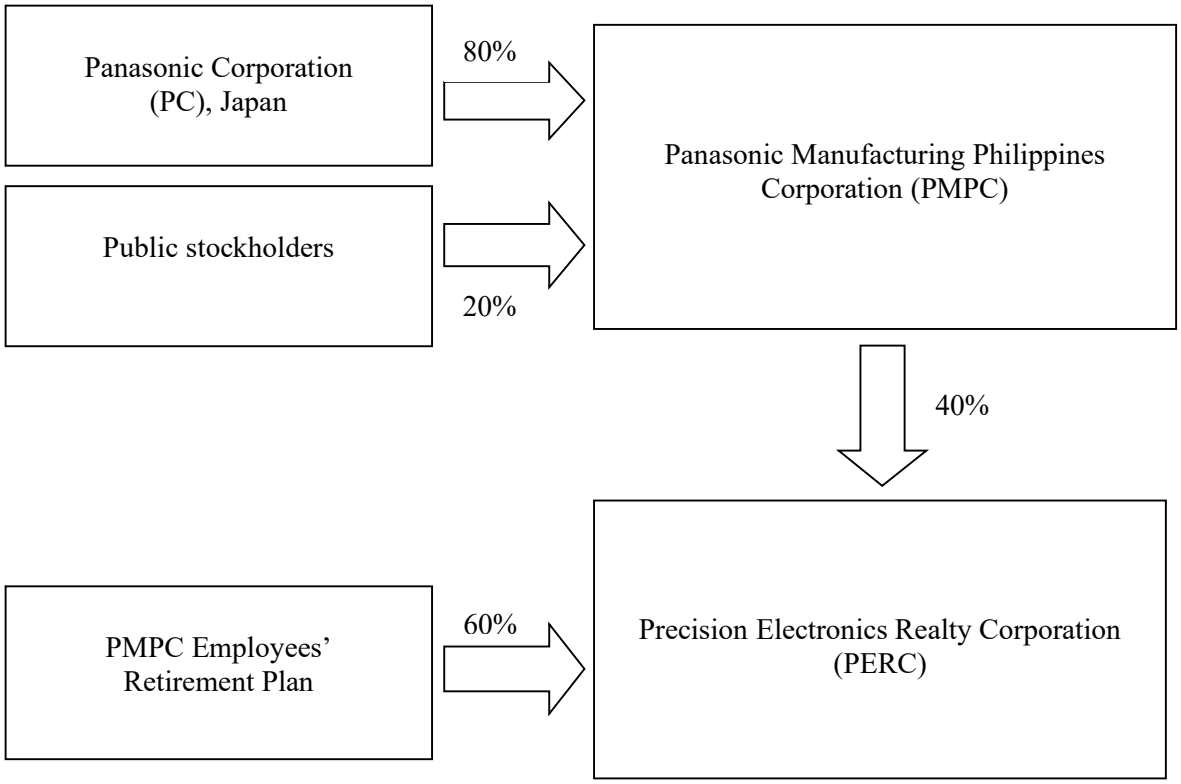
SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
MARCH 31, 2022

Unappropriated retained earnings, beginning			₱581,515,630
Adjustments on beginning balance:			
Less:	Deferred Tax Asset, beginning	(95,657,754)	
	Effect of pooling of interest with NPPI	(64,690,082)	
	Unrealized foreign exchange gain - net	(1,945,728)	(162,293,564)
Unappropriated retained earnings available for dividend declaration, beginning, as adjusted			419,222,066
Add:	Net income actually earned/realized during the year:		
	Net income during the period closed to retained earnings	165,522,613	
	Unrealized foreign exchange gain - net	(1,406,307)	
	Provision for deferred tax	9,217,831	173,334,137
Net income actually earned/realized during the period			592,556,203
Add:	Reversal of appropriation	696,142,000	
Less:	Appropriations	(746,142,000)	
	Dividends declarations during the period	(221,707,200)	(271,707,200)
Unappropriated retained earnings available for dividend declaration, end			₱320,849,003

Annex II

PANASONIC MANUFACTURING PHILIPPINES CORPORATION

MAP SHOWING THE RELATIONSHIPS BETWEEN AND AMONG THE COMPANY AND ITS ULTIMATE PARENT COMPANY AND SUBSIDIARY
MARCH 31, 2022



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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 consolidated financial statements of Panasonic Manufacturing Philippines Corporation and its Subsidiary (the Group) as at March 31, 2022 and for each of the three years in the period ended March 31, 2022, and have issued our report thereon dated June 9, 2022. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRSs) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at March 31, 2022 and for each of the three years in the period ended March 31, 2022 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Juan Carlo Maminta

Juan Carlo B. Maminta
Partner
CPA Certificate No. 115260
Tax Identification No. 210-320-399
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
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Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-132-2020, November 27, 2020, valid until November 26, 2023
PTR No. 8854326, January 3, 2022, Makati City
June 9, 2022

Annex III

PANASONIC MANUFACTURING PHILIPPINES CORPORATION

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
MARCH 31, 2022

RATIO	FORMULA	March 31, 2022	March 31, 2021
Current Ratio	Current Assets / Current Liabilities	2.23	2.39
Acid Test Ratio	(Cash Equivalents + Marketable Securities + Receivable) / Current Liabilities	1.46	1.76
Solvency Ratio	Net Income / Total Liabilities	0.04	0.10
Debt to Equity Ratio	Total Liabilities / Total Equity	0.81	0.72
Debt Ratio	Total Liabilities / Total Assets	0.45	0.42
Asset to Equity Ratio	Total Assets / Total Equity	1.81	1.72
Interest Rate Coverage Ratio	EBIT / Interest Expense	431.71	1,695.02
Return on Assets	Net Income / Average Total Assets	0.02	0.08
Return on Equity	Net Income / Average Total Equity	0.03	0.15
Net Profit Margin	Gross Profit / Total Revenue	0.20	0.24

Schedule A

Panasonic Manufacturing Philippines Corporation
Schedule A – Financial Assets
March 31, 2022

Name of Issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the statement of financial position	Valued based on market quotation at end of reporting period	Income received and accrued
Financial assets at FVOCI				
Manila Electric Company	25,164	₱1,110,714	₱1,110,714	₱–
Philippine Long Distance Telephone Company	2,850	838,587	838,587	–
	28,014	₱1,949,301	₱1,949,301	₱–

Panasonic Manufacturing Philippines Corporation
Schedule B – Amounts Receivable from Directors, Officers, Employees and Principal Stockholders (Other than Related Parties)
March 31, 2022

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

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, 2022

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, 2022

Title of Issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of Long-term debt" in related statement of financial position	Amount shown under caption "Long-term Debt" in related statement of financial position

Nothing to report

Panasonic Manufacturing Philippines Corporation
Schedule E – Indebtedness to Related Parties (Long-Term Loans from Related Companies)
March 31, 2022

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

Nothing to report

Panasonic Manufacturing Philippines Corporation
Schedule F – Guarantees of Securities of Other Issuers
March 31, 2022

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, 2022

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