

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES
REGULATION CODE AND RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended March 31, 2022
2. SEC Identification Number **A1997-13456**
3. BIR Tax Identification No. **005-029-401-000**
4. Exact name of issuer as specified in its charter - **CONCEPCION INDUSTRIAL CORPORATION**
5. **Philippines** (SEC Use Only)
Province, Country or other jurisdiction of incorporation or organization Industry Classification Code:
7. **308 Sen. Gil Puyat Avenue, Makati City, Philippines** **1209**
Address of principal office Postal Code
8. **+632 7721819**
Issuer's telephone number, including area code
9.
Former name, former address, and former fiscal year, if changed since last report.
10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
COMMON	407,263,891 (as of March 31, 2022)
11. Are any or all of these securities listed on a Stock Exchange.
Yes [] No []

If yes, state the name of such stock exchange and the classes of securities listed therein:
Philippine Stock Exchange **Common Stock**
12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);
Yes [] No []

(b) has been subject to such filing requirements for the past ninety (90) days.
Yes [] No []
13. The aggregate market value of the voting stock held by non-affiliates of the registrant is P2.3 billion. The price used for this computation is the closing price as of March 31, 2022 is P19.62.

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

The unaudited consolidated financial statements of Concepcion Industrial Corporation (the “Company” or “CIC”) and its subsidiaries, Concepcion-Carrier Air Conditioning Company (“CCAC”), Concepcion Durables, Inc. (“CDI”), Concepcion-Otis Philippines, Inc. (“COPI”), Concepcion Business Services, Inc. (“CBSI”), Cortex Technologies Corporation (“CTC”), Alstra Incorporated (“Alstra”) and Teko Solutions Asia Inc. (“Teko”) (collectively, the “Group”) for the periods ended March 31, 2022 and 2021, and the audited consolidated financial statements of the group as at December 31, 2021 is attached to this 17-Q report, comparing the following:

- 1.1 Consolidated Statements of Financial Position as at March 31, 2022 and December 31, 2021 (Annex A)
- 1.2 Consolidated Statements of Total Comprehensive Income for the periods ended March 31, 2022 and 2021 (Annex B)
- 1.3 Consolidated Statements of Changes in Equity for the periods ended March 31, 2022 and 2021 (Annex C)
- 1.4 Consolidated Statements of Cash Flows for the periods ended March 31, 2022 and 2021 (Annex D)
- 1.5 Notes to Consolidated Financial Statements as at March 31, 2022 and December 31, 2021 and for the periods ended March 31, 2022 and 2021 (Annex E)

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations [(based on the Unaudited Consolidated Results for the Period Ended March 31, 2022 (Annex F)]

PART II – OTHER INFORMATION

The following reports on SEC Form 17-C was filed during the 1st quarter (Q1) of 2022:

Date of Report	Items Reported
February 16, 2022	Declaration of Cash Dividends
February 18, 2022	Press Release on Financial Results

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.



RAJAN KOMARASU
Chief Finance and Operating Officer

May 13, 2022

Concepcion Industrial Corporation and Subsidiaries

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

	Notes	2022	2021
<u>ASSETS</u>			
Current assets			
Cash and cash equivalents	2	2,319,348	2,518,403
Trade and other receivables, net	3	3,335,126	3,462,954
Contract assets		641,712	493,563
Inventories, net	4	3,519,538	2,968,596
Prepayments and other current assets		155,098	124,067
Total current assets		9,970,822	9,567,583
Non-current assets			
Property and equipment, net		539,349	564,978
Investment property		40,255	40,255
Investment in associates	5	106,836	128,752
Intangible assets, net	6	156,666	164,525
Goodwill	6	802,362	802,362
Right-of-use assets, net		398,904	435,605
Deferred income tax assets, net		585,078	555,825
Other non-current assets		69,471	64,103
Total non-current assets		2,698,921	2,756,405
Total assets		12,669,743	12,323,988
<u>LIABILITIES AND EQUITY</u>			
Current liabilities			
Trade payables and other liabilities	7	4,906,851	3,930,388
Short-term borrowings	8	251,000	250,000
Lease liabilities		71,914	107,384
Provision for warranty		55,848	56,345
Other provisions		12,942	15,760
Income tax payable		17,942	11,116
Total current liabilities		5,316,497	4,370,993
Non-current liabilities			
Retirement benefit obligation	12	568,765	555,838
Lease liabilities		348,752	348,752
Provision for warranty		5,034	5,199
Total non-current liabilities		922,551	909,789
Total liabilities		6,239,048	5,280,782
Equity			
Attributable to owners of the Parent Company			
Share capital	13	407,264	407,264
Share premium	13	993,243	993,243
Treasury shares	13	(172,108)	(172,108)
Retained earnings	13	3,590,671	4,013,851
Other comprehensive loss		(55,913)	(55,913)
		4,763,157	5,186,337
Non-controlling interest		1,667,538	1,856,869
Total equity		6,430,695	7,043,206
Total liabilities and equity		12,669,743	12,323,988

The notes on pages 1 to 11 are integral part of these consolidated financial statements.

Concepcion Industrial Corporation and Subsidiaries

Consolidated Statements of Total Comprehensive Income
For the periods ended March 31, 2022 and 2021
(All amounts in thousand Philippine Peso, except earnings per share)

	Notes	2022	2021
Net sale of goods		2,308,677	2,377,986
Sale of services		777,870	502,134
Net sales	9	3,086,547	2,880,120
Cost of sales and services	10	(2,098,022)	(1,824,120)
Gross profit		988,525	1,056,000
Operating expenses	11	(846,446)	(878,819)
Other operating income (loss), net		(56,048)	6,452
Operating income		86,031	183,633
Interest expense		(6,389)	(6,157)
Income before share in net income (loss) of associates and income tax		79,642	177,476
Share in net income (loss) of associates	5	(21,916)	2,699
Income before income tax		57,726	180,175
Income tax expense		(27,082)	(51,709)
Net income for the year		30,644	128,466
Other comprehensive income (loss) that will not be subsequently reclassified to profit or loss			
Remeasurement gain (loss) on retirement benefits, net of tax		-	-
Total comprehensive income for the year		30,644	128,466
Net income (loss) attributable to:			
Owners of the Parent Company		(21,324)	58,460
Non-controlling interest		51,968	70,006
		30,644	128,466
Total comprehensive income attributable to:			
Owners of the Parent Company		(21,324)	58,460
Non-controlling interest		51,968	70,006
		30,644	128,466
Earnings (loss) per share - basic and diluted	14	(0.05)	0.15

The notes on pages 1 to 11 are integral part of these consolidated financial statements.

ANNEX C**Concepcion Industrial Corporation and Subsidiaries**

Consolidated Statements of Changes in Equity
For the periods ended March 31, 2022 and 2021
(All amount in thousand Philippine Peso)

Notes	Attributable to owners of the Parent Company					Non-controlling interest	Total
	Share capital	Share premium	Treasury shares	Retained earnings	Other comprehensive income (loss)		
Notes	13	13	13	13			
Balances as at January 1, 2021	407,264	993,243	(170,068)	4,251,056	(86,269)	1,898,332	7,293,558
Comprehensive income							
Net income for the year	-	-	-	58,460	-	70,006	128,466
Remeasurement gain (loss) on retirement benefits, net of tax	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	58,460	-	70,006	128,466
Transactions with owners							
Cash dividends declared	-	-	-	(401,955)	-	(266,566)	(668,521)
Treasury shares	-	-	-	-	-	-	-
Total transactions with owners	-	-	-	(401,955)	-	(266,566)	(668,521)
Balances as at March 31, 2021	407,264	993,243	(170,068)	3,907,561	(86,269)	1,701,772	6,753,503
Balances as at January 1, 2022	407,264	993,243	(172,108)	4,013,851	(55,913)	1,856,869	7,043,206
Comprehensive income							
Net income for the year	-	-	-	(21,324)	-	51,968	30,644
Remeasurement gain (loss) on retirement benefits, net of tax	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	(21,324)	-	51,968	30,644
Transactions with owners							
Cash dividends declared	-	-	-	(401,855)	-	(241,300)	(643,155)
Treasury shares	-	-	-	-	-	-	-
Total transactions with owners	-	-	-	(401,855)	-	(241,300)	(643,155)
Balances as at March 31, 2022	407,264	993,243	(172,108)	3,590,671	(55,913)	1,667,538	6,430,695

The notes on pages 1 to 11 are integral part of these consolidated financial statements.

Concepcion Industrial Corporation and Subsidiaries

Consolidated Statements of Cash Flows
For the periods ended March 31, 2022 and 2021

(All amounts in thousand Philippine Peso)

	Notes	2022	2021
Cash flows from operating activities			
Income before income tax		57,726	180,175
Adjustments for:			
Provisions for (reversals of):			
Volume rebates, trade discounts and other incentives		97,187	184,313
Warranty cost		35,386	34,721
Commission		8,789	1,464
Impairment of receivables		14,390	183
Contingencies		1,800	9,911
Inventory obsolescence		-	276
Amortization of right-of-use assets		38,578	58,079
Retirement benefit expense		22,824	51,104
Depreciation and amortization of property and equipment		38,839	34,178
Amortization of intangible assets		5,503	7,652
Interest expense		6,412	6,157
Share in net loss (income) of associates		21,916	(2,699)
Unrealized foreign exchange losses (gains)		34,717	4,013
Interest income on bank deposits, short-term placements		(1,785)	(1,183)
Operating income before working capital changes		382,280	568,344
Changes in:			
Trade and other receivables		(224,230)	(198,764)
Inventories		(567,462)	(197,793)
Prepayments and other current assets		(30,375)	52,051
Other non-current assets		(6,258)	(29,484)
Trade payables and other liabilities		494,256	46,705
Cash generated from operations		48,211	241,059
Payments of provision for warranty cost		(32,752)	(42,988)
Payments of other provisions		(11,602)	(11,896)
Retirement contributions/ benefits directly paid by the Group		(9,897)	(19,890)
Interest received on bank deposits		64	368
Net cash provided by operating activities		(5,976)	166,653
Cash flows from investing activities			
Interest received from short-term placements and loans to a related party		1,721	816
Additions to property and equipment		(12,287)	(22,801)
Additions to intangibles		-	(290)
Net cash used in investing activities		(10,565)	(22,275)
Cash flows from financing activities			
Proceeds from short-term borrowings		1,000	-
Cash distributions of profits		(140,250)	(78,400)
Principal repayment of lease liabilities		(35,500)	(56,505)
Interest paid on lease liabilities		(4,304)	(3,461)
Interest paid on short-term borrowings		(3,226)	(2,564)
Net cash used in financing activities		(182,279)	(140,930)
Net increase (decrease) in cash and cash equivalents		(198,820)	3,448
Cash and cash equivalents as at January 1		2,518,403	2,986,668
Effects of foreign exchange rate changes on cash and cash equivalents		(235)	(457)
Cash and cash equivalents as at March 31		2,319,348	2,989,659

The notes on pages 1 to 11 are integral part of these consolidated financial statements.

Concepcion Industrial Corporation and Subsidiaries

Notes to the Unaudited Consolidated Financial Statements

As at March 31, 2022 and December 31, 2021 and for the

periods ended March 31, 2022 and 2021

(All amounts are shown in thousand Philippine Peso except number of shares,
per share amounts and unless otherwise stated)

Note 1 - General information**1.1 Registration and business**

Concepcion Industrial Corporation (the Parent Company or CIC) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on July 17, 1997 primarily to carry on business as a holding company, including but not limited to the acquisition by purchase, exchange, assignment, gift, importation or otherwise, and to hold, own and use for investment or otherwise, and to sell, assign, transfer, exchange, mortgage, pledge, traffic or otherwise to enjoy and dispose of real and personal property of every kind and description, including land, condominium units, buildings, machineries, equipment, bonds, debentures, promissory notes, shares of capital stock or other securities or obligations, created, negotiated or issued by any corporation, association, or other entity, foreign or domestic, and while the owner thereof, to exercise all the rights, powers and privileges of ownership, including the right to receive, collect, and dispose of, any and all dividends, rentals, interest and income derived therefrom and generally perform acts or things designed to promote, protect, preserve, improve or enhance the value of any such land, condominium units, buildings, machineries, equipment, bonds, debentures, promissory notes, shares of capital stock, securities or obligations to the extent permitted by law without however engaging in dealership in securities, in the stock brokerage business or in the business of an investment company. CIC's subsidiaries (Note 28.2.1) are incorporated and operating in the Philippines. The subsidiaries are engaged in the manufacture, sales (except retail), distribution, installation and service of heating, ventilating and air conditioning (HVAC) products and HVAC services; manufacture, assembly, wholesale, retail, purchase and trade of refrigeration equipment; importation, buy and sell, at wholesale, distribute, maintain and repair, elevators, escalators, moving walkways, and shuttle systems and all supplies, material, tools, machinery and part/components thereof; rendering various corporate back-office support services directly or through duly licensed service providers and/or professionals, where necessary, exclusively for CIC, its subsidiaries, affiliates and/or related companies, to undertake research, development and commercialization of new, existing or emerging technology to existing or future residential and commercial appliances and equipment, and other products.

CIC and its subsidiaries are herein collectively referred to as the "Group".

CIC's primary shareholders are Foresight Realty & Development Corp., Hyland Realty & Development Corp., and Horizons Realty Inc., entities registered and doing business in the Philippines, which have equally divided equity over CIC. These companies are beneficially owned by Filipino individuals.

CIC's registered office address, which is also its principal place of business, is located at 308 Gil Puyat Avenue, Makati City. As at March 31, 2022 and December 31, 2021, CIC has two (2) regular employees.

1.2 Significant business developments

No significant business development as at reporting period, disclosures are the same in the Annual Report as at December 31, 2021.

Note 2 - Cash and cash equivalents

Cash and cash equivalents as at March 31, 2022 and December 31, 2021 consist of:

	2022	2021
Cash on hand	921	65
Cash in banks	655,480	695,893
Short-term placements	1,662,947	1,822,445
	<u>2,319,348</u>	<u>2,518,403</u>

Cash in banks and short-term placements amounting to P2,148,180 and P170,247 (2021 - P2,222,961 and P295,377) are made with universal and commercial banks, respectively. These earn interest at the prevailing bank deposit rates. For the period ended March 31, 2022, total interest income earned from cash in banks and short-term placements amounted to P1,785 (2021 - P1,183).

The carrying values of cash and cash equivalents, and short-term investments represent the maximum exposure to credit risk other than cash on hand. While these are also subject to the impairment of PFRS 9, the identified impairment loss was immaterial.

Note 3 - Trade and other receivables, net

Trade and other receivables as at March 31, 2022 and December 31, 2021 consist of:

	2022	2021
Trade receivables		
Third parties	3,883,300	4,007,090
Related parties	2,456	6,995
Provision for volume rebates, trade discounts and other incentives	(603,027)	(651,266)
Provision for impairment of receivables	(182,253)	(174,354)
Net trade receivables	<u>3,100,476</u>	<u>3,188,465</u>
Non-trade receivables, net		
Advances to/Claims from suppliers	127,804	138,510
Advances to employees	33,162	34,456
Related parties	17,752	16,064
Rental deposits	513	513
Others	55,420	84,946
	<u>3,335,126</u>	<u>3,462,954</u>

Provisions

The Group applies PFRS 9 simplified approach in measuring expected credit losses (ECL) which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the ECL, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the payment profiles of sales over a period of 36 to 60 months before January 1, 2021 and 2020 and the corresponding historical credit losses experienced within this period.

The Group's financial assets are categorized based on the Group's collection experience with the counterparties as follows:

- a. High performing - settlements are obtained from counterparty following the terms of the contracts without much collection effort.
- b. Underperforming - some reminder/follow-ups are performed to collect accounts from counterparty.
- c. Credit impaired - constant reminder/follow-ups are performed to collect accounts from counterparty.

The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified inflation rate in the Philippines to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes in such rates.

On that basis, the loss allowance as at March 31, 2022 and December 31, 2021 was determined as follows for both trade receivables and contract assets:

	High performing	Underperforming		Credit impaired	Total
	Current	Up to 6 months past due	6 to 12 months past due	Over 12 months past due	
Expected loss rate	Within 0% to 12%	Within 1% to 27%	Within 1% to 27%	Within 1% to 100%	
2022					
Trade receivables					
Third parties	2,766,302	811,238	113,695	192,065	3,883,300
Related parties	2,456	-	-	-	2,456
	2,811,297	778,411	118,687	192,065	3,885,756
Contract assets	641,712	-	-	-	641,712
Total	3,453,008	-	-	-	4,527,468
Loss allowance	-	-	5,117	177,137	182,253
2021					
Trade receivables					
Third parties	2,332,970	1,347,996	146,177	179,947	4,007,090
Related parties	6,995	-	-	-	6,995
	2,339,965	1,347,996	146,177	179,947	4,014,085
Contract assets	493,563	-	-	-	493,563
Total	2,833,528	1,347,996	146,177	179,947	4,507,648
Loss allowance	-	-	5,117	169,237	174,354

Advances to employees are realized through salary deductions. Rental deposits are expected to be applied to future lease obligations. All these accounts, including non-trade receivables from related parties, and other receivables do not contain impaired assets and are not past due.

The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The maximum exposure to credit risk at the reporting date are the respective carrying values of trade receivables, contract assets, other receivables and due from related parties as at reporting date.

Note 4 - Inventories, net

Inventories, net as at March 31, 2022 and December 31, 2021 consist of:

	Note	2022	2021
At cost			
Raw materials		1,562,003	1,376,444
Finished goods	10	1,557,784	1,140,542
Work in process	10	9,129	2,587
Inventories-in-transit		361,881	460,817
Spare-parts and supplies used in business		112,444	76,174
		3,603,242	3,056,564
Provision for inventory obsolescence		(83,704)	(87,968)
		3,519,538	2,968,596

For the period ended March 31, 2022, the cost of inventory recognized as expense and included in cost of sales and services amounted to 1,835,256 (2021 – P1,707,203) (Note 10).

Note 5 - Investments in Associates

Details of movement in investment in associates as at March 31, 2022 and December 31, 2021 follow:

	2022	2021
At cost, beginning	274,700	274,700
Additional investments	-	-
At cost, ending	274,700	274,700
Cumulative share in total comprehensive loss, beginning	(145,948)	(122,985)
Share in net income (loss) for the year	(21,917)	(22,513)
Share in other comprehensive income (loss) for the year	-	(450)
Cumulative share in total comprehensive loss, ending	(167,864)	(145,948)
	106,836	128,752

Note 6 - Goodwill and intangible assets, net

6.1 Goodwill

Goodwill is the excess of consideration over proportionate share in fair value of net assets.

Goodwill resulted from CIC's acquisition of COPI in 2014 and Teko in 2018.

For the COPI acquisition, the Group applied the proportionate interest approach to account for the resulting NCI from this business combination. The goodwill of P783,983 arising from the acquisition is attributable to an established brand, and customer and product base.

In 2019, the Group finalized the Purchase Price Allocation relevant to its acquisition of Teko in 2018. The Group applied the proportionate interest approach to account for its NCI. The goodwill of P18,379 arising from the acquisition is attributable to Teko's web-based platforms, consisting of its website and mobile application.

Impairment test for goodwill

Discounted cash flow (DCF) method was used as base for estimating the recoverable value of COPI and Teko as at March 31, 2022 and December 31, 2021. The Group did not recognize impairment losses for the period ended March 31, 2022 and for the year ended December 31, 2021 as the recoverable value exceeds the carrying amount of the cash-generating unit (CGU).

6.2 Intangible assets, net

Details and movements of intangible assets account at March 31, 2022 and December 31, 2021 are shown below:

	Customer relationship	Customer backlogs	Computer software	Total
Cost				
At January 1, 2022	187,113	13,883	118,846	319,842
Additions	-	-	-	-
At December 31, 2021	187,113	13,883	118,846	319,842
Accumulated amortization				
At January 1, 2022	60,908	13,883	80,526	155,317
Amortization	1,871	-	5,987	7,858
At December 31, 2021	62,779	13,883	86,514	163,176
Net book values at December 31, 2021	124,334	-	32,332	156,666
Cost				
At January 1, 2021	187,113	13,883	112,513	313,509
Additions	-	-	6,333	6,333
At December 31, 2021	187,113	13,883	118,846	319,842
Accumulated amortization				
At January 1, 2021	53,424	13,883	55,958	123,265
Amortization	7,484	-	24,568	32,052
At December 31, 2021	60,908	13,883	80,526	155,317
Net book values at December 31, 2021	126,205	-	38,320	164,525

Note 7 - Trade payables and other liabilities

Trade payables and other liabilities as at March 31, 2022 and December 31, 2021 consist of:

	2022	2021
Trade payables		
Third parties	1,819,108	1,511,545
Related parties	171,247	90,461
	1,990,354	1,602,006
Accrued expenses		
Project costs	559,782	518,732
Outside services	101,859	243,648
Benefits of directors, officers and employees	360,448	272,559
Professional fees	39,736	45,367
Commission	16,953	13,840
Installation and cleaning costs	129	129
Rental and utilities	157,410	46,757
Freight	46,868	42,690
Importation costs	48,892	60,525
Advertising and promotion	56,112	40,133
Others	124,606	110,004
	1,512,794	1,394,385
Other liabilities		
Advances on sales contract	209,934	205,687
Billings in excess of costs incurred and estimated earnings on uncompleted contracts	364,822	317,271
Withholding taxes and other mandatory government remittances	21,546	99,964
Output value-added tax (VAT), net of input VAT	38,714	100,897
Related parties	421,447	39,684
Others	347,239	170,494
	1,403,702	933,997
	4,906,851	3,930,388

Project costs represent costs of HVAC related projects incurred but not yet billed as at reporting date.

Note 8 - Short-term borrowings

Movements of short-term borrowings as at March 31, 2022 and December 31, 2021 are as follows:

	2022	2021
Beginning	250,000	190,000
Availments	1,000	60,000
Ending	251,000	250,000

As at March 31, 2022 and December 31, 2021, the Group has unsecured interest-bearing short-term loans ranging from three (3) to six (6) months both period at 5.25%. Interest expenses on borrowings recognized and paid during the period ended March 31, 2022 amounted to P3,226 (2021 – P2,564).

Note 9 - Revenue from contracts with customers

Details of net sales and services for the periods ended March 31 are as follows:

	Note	2022	2021
Gross sales			
Sale of goods (Point in time)		2,934,783	3,021,750
Sale of services (Over time)		425,932	247,535
		3,360,715	3,269,285
Deductions			
Trade and volume discounts and other incentives	3	(141,182)	(227,888)
Sales returns		(132,986)	(161,277)
		(274,168)	(389,165)
Net sales and services		3,086,547	2,880,120

Note 10 - Cost of sales and services

Details of cost of sales and services for the periods ended March 31 are as follows:

	Note	2022	2021
Raw materials used		1,344,165	1,201,772
Labor		38,281	51,003
Overhead		144,120	176,550
Total manufacturing cost		1,526,566	1,429,325
Work-in-process, beginning	4	2,587	4
Work-in-process, ending	4	(9,129)	(2,087)
Cost of goods manufactured		1,520,024	1,427,242
Finished goods inventory, beginning	4	1,140,542	1,295,612
Gross purchases - trading		732,474	162,115
Finished goods available for sale		3,393,040	2,884,969
Finished goods inventory, ending	4	(1,557,784)	(1,177,766)
Total cost of sales		1,835,256	1,707,203
Cost of installation and maintenance of elevators		257,394	114,269
Others		5,371	2,648
Total cost of services		262,766	116,917
Total cost of sales and services		2,098,022	1,824,120

Note 11 - Operating expenses

Details of operating expenses for the periods ended March 31 are as follows:

	2022	2021
Personnel costs	338,145	361,919
Outside services and professional fees	189,360	184,497
Outbound freight	74,999	85,749
Amortization of right-of-use assets	32,780	42,955
Advertising and promotion	41,410	57,193
Warranty cost	32,168	30,973
Rent and utilities	39,174	32,173
Taxes and licenses	17,561	8,031
Depreciation and amortization	15,945	15,213
Provision for (Reversal of) inventory obsolescence	(4,265)	(12,973)
Royalty	6,291	8,484
Amortization of intangible assets	6,843	8,058
Transportation and travel	5,427	4,478
Repairs and maintenance	3,135	2,435
Provision for impairment of receivables	7,899	5,140
Others	39,574	44,494
	846,446	878,819

Note 12 - Retirement plan

12.1 CIC

CIC has an established retirement plan which is a non-contributory and of the defined benefit type which provides retirement benefits ranging from twenty percent (20%) to one hundred twenty-five percent (125%) of basic monthly salary times number of years of service. Benefits are paid in a lump sum upon retirement or separation in accordance with the terms of the retirement plan. This retirement plan is in agreement with CCAC's retirement plan that was started on July 1, 1999 since most of the employees of CIC were absorbed from CCAC.

12.2 CCAC

CCAC has an established funded, trustee and non-contributory and of the defined benefit type retirement plan covering all its regular employees. The retirement plan provides lump sum benefits upon retirement, death, total and permanent disability, voluntary separation after completion of ten (10) years of credited service, and involuntary separation (except for cause). Normal retirement age is 60 years or 15 years of credited service, whichever is earlier and provides for retirement benefit equivalent to 125% of the latest monthly salary per year of service.

The Retirement Plan Trustee, as appointed by CCAC in the Trust Agreement executed between CCAC and the duly appointed Retirement Plan Trustee, is responsible for the general administration of the Retirement Plan and the management of the Retirement Fund. The Retirement Plan Trustee may seek and advice of counsel and appoint an investment manager or managers to manage the Retirement Fund, an independent accountant to audit the Fund and an actuary to value the Retirement Fund.

There are no unusual or significant risks to which the Plan exposes CCAC. However, in the event a benefit claim arises under the Retirement Plan and the Retirement Fund is not sufficient to pay the benefit, the unfunded portion of the claim shall immediately be due and payable from CCAC to the Retirement Fund.

In accordance with the provisions of Bureau of Internal Revenue (BIR) Regulation No. 1-68, it is required that the Retirement Plan be trustee; that there must be no discrimination in benefits that

forfeitures shall be retained in the Retirement Fund and be used as soon as possible to reduce future contributions; and that no part of the corpus or income of the Retirement Fund shall be used for, or divided to, any purpose other than for the exclusive benefit of the Plan members. CCAC is not required to pre-fund the future defined benefits payable under the Retirement Plan before they become due. For this reason, the amount and timing of contributions to the Retirement Fund are at the CCAC's discretion.

12.3 Alstra; Teko

These entities have not yet established a formal retirement plan for its employees but pays retirement benefits required under Republic Act (RA) No. 7641 (Retirement Law). RA 7641 provides that all employees between ages 60 to 65 with at least 5 years of service with the entities who may opt to retire are entitled to benefits equivalent to one-half month salary for every year of service, a fraction of at least six (6) months being considered as one whole year. The term one-half month shall mean fifteen (15) days plus one-twelfth (1/12) of the 13th month and the cash equivalent of not more than five (5) days of service incentive leaves.

As at March 31, 2022 and December 31, 2021, estimated retirement benefits and obligations for Alstra is deemed immaterial, hence, not provided for.

12.4 COPI

The Company has a funded, non-contributory defined benefit plan which provides a retirement benefit range of twenty percent (20%) to two hundred percent (200%) of plan salary for every year of service to its qualified employees and is being administered by a trustee bank. The normal retirement age is 60 years and optional retirement date is at age 50 or completion of at least ten (10) years of service.

12.5 CBSI

CBSI has a non-contributory retirement benefit plan which provides a retirement benefit ranging from twenty percent (20%) to one hundred twenty-five percent (125%) of basic monthly salary times number of years of service. Benefits are paid in a lump sum upon retirement or separation in accordance with the terms of the plan.

12.6 CTC

CTC has established an unfunded, defined benefit retirement plan which provides a retirement benefit equivalent to 125% of basic salary times number of years in service. Benefits are paid in a lump sum upon retirement or separation in accordance with the terms of the plan.

The retirement obligation of each entity in the Group is determined using the "Projected Unit Credit" (PUC) method. Under the PUC method, the annual normal cost for the portion of the retirement is determined using the amount necessary to provide for the portion of the retirement benefit accruing during the year. The latest actuarial valuation of the retirement benefits for each entity in the Group was sought from an independent actuary as at December 31, 2021.

12.7 CDI

As at March 31, 2022, the Company has not yet established a formal retirement plan for its employees but provides for estimated retirement benefits required under Republic Act No. 7641 (Retirement Law).

In February 2021, the CDI's BOD approved to established a non-contributory retirement plan covering all its regular employees. The plan provides lump sum benefits upon retirement, death, total and permanent disability, voluntary separation after completion of at least ten (10) years of credited service, and involuntary separation (except for cause). Normal retirement age is 60 years or 25 years of credited service, whichever is earlier and provides for retirement benefit equivalent to 125% of the latest monthly salary per year of service.

The following are the details of the retirement benefit obligation (asset) and retirement benefit expense as at March 31, 2022 and December 31, 2021:

	CIC	CCAC	CDI	CBSI	COPI	CTC	Teko	Total
<i>2022</i>								
Retirement benefit obligation	16,951	293,906	167,451	79,088	6,588	2,106	2,675	568,765
Retirement benefit expense	482	12,702	4,389	3,411	1,394	234	212	22,284
<i>2021</i>								
Retirement benefit obligation	16,469	287,555	166,609	75,676	5,194	1,872	2,463	555,838
Retirement benefit expense	1,959	54,932	147,390	16,584	3,933	2,836	755	228,389

Retirement benefit expense is included as part of personnel costs under operating expenses (Note 11).

Note 13 - Equity

13.1 Share capital

As at March 31, 2022 and December 31, 2021, CIC's authorized share capital amounting to P700,000 is composed of 700 million shares with par value of P1 per.

The details and movement of share capital as at and for the period ended March 31, 2022 and for the year ended December 31, 2022 follows:

	Number of common shares issued and outstanding	Amount		
		Share capital	Share premium	Treasury shares
January 1, 2021	401,955,091	407,264	993,243	(170,068)
Acquisition of treasury shares	(100,000)	-	-	(2,040)
December 31, 2021	401,855,091	407,264	993,243	(172,108)
Acquisition of treasury shares	-	-	-	-
March 31, 2022	401,855,091	407,264	993,243	(172,108)

13.2 Retained earnings

Cash dividends declared, attributable to owners of CIC, for the years ended December 31 are as follows:

Date declared	Dates paid	Per share	2022	2021	2020
February 16, 2022	April 12, 2022	1.0	401,855	-	-
February 10, 2021	April 12, 2021	1.0	-	401,955	-
May 13, 2020	June 17, 2020	0.7	-	-	282,253
			401,855	401,955	282,253

For the period ended March 31, 2022 and for the year ended December 31, 2021, NCI from profit distribution of CCAC and COPI amounted to P202,100 and P39,200, respectively (2021 - P188,164 and P78,400, respectively).

CIC annually performs an evaluation of the amount to be declared as dividends. Subsequently, on February 16, 2022, CIC's BOD declared cash dividends in the amount of P1.00 per share totaling to P401,855 for shareholders of record as at March 17, 2022 (net of treasury shares), paid on April 12, 2022.

13.3 Treasury shares

On February 17, 2016, CIC's BOD approved a non-solicitation share buyback program to be carried out until February 16, 2019. On September 9, 2019, CIC's BOD approved a non-solicitation share buyback program to be carried out until September 9, 2022.

On March 20, 2020, the BOD amended the terms of the share buyback program to increase the limit of the common shares that may be repurchased during the first year of the program from P100 million to P300 million.

As at March 31, 2022 and December 31, 2021, acquisition of treasury shares amounting to P172,108.

Note 14 - Earnings per share

Basic earnings per share is calculated by dividing the net income attributable to owners of CIC by the weighted average number of ordinary shares in issue during the period, excluding ordinary shares purchased by CIC and held as treasury shares, if any.

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

	2022	2021
Net income (loss) attributable to owners of the Parent Company	(21,324)	58,460
Weighted average common shares - basic and diluted (in '000)	401,855	401,955
Basic and diluted earnings per share	(0.05)	0.15

The basic and diluted earnings per share are the same each for the year presented as there are no potential dilutive common shares.

Management’s Discussion and Analysis of Financial Condition and Results of Operations (based on the Unaudited Consolidated Results for the Periods Ended March 31, 2022)

Concepcion Industrial Corporation (the “Company” or “CIC”), formerly Concepcion Airconditioning Corporation (“CAC”), is one of the Philippines’ most established and leading suppliers of air conditioners, air conditioning solutions, and refrigerators. The Company has expanded its business beyond being a trusted expert in air conditioning and refrigeration, towards becoming a complete consumer and commercial solutions company with a range of solutions and after-market services across multiple international and Philippine brands including Carrier, Toshiba, Condura, Kelvinator, Midea and Otis. These solutions are designed to serve a wide array of customers from individuals and single families living in residences, to thousands of people spread across large residential towers, office buildings, entertainment facilities, and commercial and industrial sites. These solutions are also designed to meet a variety of different needs, such as reliability, durability, comfort, energy efficiency, environmental impact, ease of use, and aesthetic appeal at varying price points with customized features to match the individual requirements. Moreover, the Company’ continues to develop these technologies to meet the current and future needs of its customers. In addition, the Company offers an array of after-market services such as periodic maintenance, parts supply, repairs and other services intended to support its products through their entire life cycle. Moving beyond products, the Company has invested heavily on strengthening its relationship with its customers through the development of various platforms and applications designed to ensure a better fit between the products and services we offer to the customer’s lifestyle. The Company believes that these after-market services, combined with its wide range of air conditioning and refrigeration products catering to various customer needs, offer customers enhanced value that distinguishes the Company’s air conditioning and refrigeration solutions from those of its competitors.

As of March 31, 2022, CIC has seven (7) major subsidiaries and three (3) associates. For its subsidiaries, the Company owns 60% of CCAC, 100% of CDI, effectively 51% of COPI through its ownership in Alstra, 100% of CBSI, 100% of CTC, 100% of Alstra, and effectively 58% of Teko through its ownership in CTC. For its associates, the Company owns effectively 40% of CMI through its ownership in CCAC, effectively 49% of Tenex through its ownership in Alstra and 33% of Teko SG through its ownership in CTC.

CCAC

CCAC engages in the manufacture, sale, distribution, installation, and service of heating, ventilating, and air conditioning products and services for residential, commercial, and industrial use. CCAC is a joint venture between the Company and Carrier Air Conditioning Philippines, Inc. (CACPI), which allows it to offer Carrier and Toshiba brand air conditioners and Totaline parts. CCAC also offers other brands such as Condura and Kelvinator. CCAC manufactures a select range of its air conditioning equipment at its factory in Light Industry and Science Park in Cabuyao, Laguna, Philippines, the Philippines’ largest air conditioning facility with a capacity of approximately 500,000 units per year and a production area of 19,620 sqm. CCAC’s products are distributed and sold primarily in the Philippines. It has a nationwide distribution reach supported by a nationwide after-market network. The Company believes CCAC has the largest share of the total air conditioning market in the Philippines as measured by revenues, including leading market positions in the residential, light commercial and commercial and industrial segments.

CDI

CDI engages primarily in the manufacture, assembly, wholesale, retail, purchase, and trade of refrigeration equipment, including Condura and Kelvinator brand refrigerators and freezers. CDI manufactures a select range of its products at its factory at Light Industry and Science Park in Cabuyao, Laguna, adjacent to CCAC's air conditioning and commercial refrigeration factory. CDI factory has a capacity of 300,000 units per year and a production area of 16,420 sqm. CDI has leadership presence in the residential and light commercial ("RLC") refrigeration market in the Philippines. In 2020, CDI introduced other small home appliances such as rice cookers, grillers, and coffee makers.

CMI

CMI is a joint venture between Midea Electric Trading (Singapore) Co. Pte. Ltd. (Midea), and CIC and CCAC. CMI's primary purpose is to introduce Midea brand products in the Philippine market as a supplier of a whole range of appliances such as air conditioners, refrigerators, and laundry and kitchen appliances. This will not only expand the Company's multi-brand offering to the Philippine market but will also allow it to expand into the wider white goods market. CMI is also a distributor of Toshiba brand such as refrigerator, laundry and kitchen appliances since 2019. Established in 1968, Midea is a leading global white goods and air conditioning systems manufacturer, with operations around the world. Midea is a brand leader in China and has various domestic production bases in China as well as overseas production bases in Vietnam, Belarus, Egypt, Brazil, Argentina, and India. It is also a joint venture and/or business partner of Carrier Corporation in selected countries worldwide.

COPI

COPI's primary business is to import, buy and sell at wholesale, distribute, maintain and repair, elevators, escalators, moving walkways, and shuttle systems and all supplies, material, tools, machinery and part/components.

CBSI

CBSI's primary business purpose is to consolidate support services across CIC and its subsidiaries and affiliates particularly in the areas of Finance, Human Resources, Information and Communications Technology, Legal and Compliance, as well as Facilities Management. In 2020, CBSI introduced an online platform to allow other subsidiaries to sell directly to consumers (Conceptstore).

CTC

CTC engages in the research, development and commercialization of new and emerging technologies. CTC also develops strategic partnerships and identifies potential acquisitions, both locally and abroad, to develop solutions that are aligned with CIC's broader vision of building better lives and businesses and owning the home. CTC works across the enterprise to help facilitate innovation and maintain CIC's position as a market leader.

Alstra

Alstra was organized primarily as a holding company to make investments in solutions for buildings and the industrial markets. Alstra may also engage in the business of installation, construction, maintenance and supply of equipment for mechanical, electrical, plumbing and fire protection services, facilities management, civil construction, technology services, electronics, devices and equipment in relation to building services and other building solutions-related services, among others.

Teko

Teko is focused on building and operating a platform to provide appliance repair and maintenance services. It leverages on information technology solutions and innovative business models to transform the appliance services market.

Tenex

Tenex is a joint venture company of Alstra and Mr. Joey P. Penaflor and is positioned to provide HVAC installation, repairs and maintenance services to commercial and business establishments.

Teko SG

Teko SG is a company incorporated in Singapore. It's purpose of business is to be a holding company for the regional expansion of Teko across Southeast Asia.

Factors Affecting the Company's Results of Operations

Factors affecting the Company's financial and operational results in the 1st three months of 2022

Macroeconomic Fundamentals: The Philippine Gross Domestic Product (GDP) grew by 8.3% for Q1. With the NCR and much of the country shifting to Alert Level 1, the economy has started to recover as consumer confidence recovers, and both business and consumer activities have normalized. Despite this, the onset of the Omicron variant in January impacted Q1 results, with revenue bouncing back by the balance of the quarter. Additional challenges remain from higher commodity prices, inflation which ran at 3.4%, the FX rate which reached PHP 51.96/USD as of March 31, 2022 vs PHP 48.47/USD as of March 31, 2021; PHP 8.18/CNY as of March 31, 2022 vs PHP 7.37/CNY as of March 31, 2021, uncertainties from the coming elections, and the impact of the war in Ukraine.

Construction Sector Developments: The adoption of Alert level 1 for NCR and much of the Philippines, has opened up the economy and led to more normalization of both business and consumer activities. With offices opening up and many workers returning to work, we have seen the recovery of Q1 orders, with both backlogs and pipeline starting to build up. The office market has reported a net positive take up during Q1, with both the residential and retail sector also recovering.

Commodity Prices: The Company depends on raw materials sourced from third parties to produce the majority of its products, with raw materials representing about 73% of the Company's manufactured cost of sales. Commodity prices remained high due to supply chain disruption, the high demand from the recovery and high oil prices.

Description of Selected Income Statement Items

Net Sales

The Company generates revenues primarily from sales of its heating and ventilation air conditioning (HVAC), refrigeration units, laundry and kitchen appliances through its subsidiaries CCAC and CDI, including sales and service of elevators, escalators, moving walkways and shuttle systems in COPI.

Costs and Expenses

- Cost of sales and services

The Company's cost of sales and services comprise the cost of finished goods, raw materials used for the Company's manufactured products, installation costs, labor, and manufacturing and service overhead.

- Expenses

The Company's operating expenses include employee costs, outside services, freight out, rent and utilities, warranty cost, marketing and advertising costs, transportation, travel and entertainment, provisions for commission, impairment of receivables, and obsolescence legal disputes and assessments, repairs and maintenance, royalties, non-income taxes and licenses, depreciation and amortization, commission expense, supplies, insurance, and professional fees.

- Other net operating income (loss)

The Company's other operating income comprises interest income on bank deposits and short-term placements, interest expense on loans, commission income, foreign exchange gains or losses and service income.

Income tax expense (benefit)

The Company's income tax expense comprises the income taxes accrued and/or paid by the Company and its respective subsidiaries including the deferred income tax assets or tax related to future tax benefits.

Net Income

Net income represents the earnings of Company and its respective subsidiaries.

Net Income Attributable to Parent

Net income attributable to Parent represents the Company's share at 60% of the net income of CCAC, 100% of the net income of CDI, 100% of the net loss of CBSI, 100% of the net loss of CTC, 100% of the net income of Alstra, effectively 58% of net loss of Teko, and effectively 51% of the net income of COPI.

Segment information

The Company reviews and analyzes profit or loss into Consumer and Commercial Business while assets, liabilities and other accounts are analyzed on a per entity basis - CCAC, CDI and COPI with all other entities as part of others.

a. Profit or Loss

a.1. Consumer business

The segment's products and related services include HVAC for consumer use, domestic refrigeration products, laundry and kitchen appliances. It is supported by a vast network of distributors, dealers, retailers and technicians, who sell, install and service the Group's products primarily in the residential and light commercial segments.

a.2. Commercial business

The segment's products and related services include HVAC as well as sales and service of elevators, escalators, moving walkways and shuttle systems, primarily for industrial and commercial use. It is sold directly to end customers or through a network of accredited sub-contractors.

b. Assets, liabilities and other accounts

b.1. CCAC

The segment's products and related services include HVAC, and refrigeration products. It is supported by a vast network of distributors, dealers, retailers and technicians who sell, install and service the Group's products in the industrial, commercial and residential property sectors. The chief operating decision-maker performs review of gross profit per component, while review of segment operating expenses, income tax, and profit or loss are done in total.

b.2. CDI

The segment is engaged in manufacturing of refrigerators, freezers, laundry and kitchen appliances for domestic market.

b.3. COPI

The segment is engaged in distribution and service of elevators, escalators, moving walkways and shuttle system.

Segment information on reported consolidated profit or loss for the periods ended March 31 are as follows (amounts are in millions):

	Consumer business	Commercial business	Others	Total
<i>2022</i>				
Net sales and services	2,308	768	11	3,087
Timing of revenue recognition				
At point in time	2,308	-	-	2,308
Over time	-	768	11	779
Cost of sales and services	(1,545)	(548)	(5)	(2,098)
Gross profit	763	220	6	989
Operating expenses	(582)	(173)	(91)	(846)
Share in net loss of associates	(5)	-	(17)	(22)
Income tax (expense) benefit	(27)	(17)	17	(27)
Net income for the year	113	3	(85)	31
<i>2021</i>				
Net sales and services	2,363	506	11	2,880
Timing of revenue recognition				
At point in time	2,363	-	15	2,378
Over time	-	506	(4)	502
Cost of sales and services	(1,519)	(301)	(4)	(1,824)
Gross profit	844	205	67	1,056
Operating expenses	(599)	(168)	(112)	(879)
Share in net income of associates	1	-	2	3
Income tax (expense) benefit	(65)	(7)	20	(52)
Net income for the year	194	21	(86)	128

Segment information on consolidated assets and liabilities as at March 31, 2022 and December 31, 2021 are as follows:

	CCAC	CDI	COPI	Others	Total
2022					
Current assets	5,727	2,258	932	1,054	9,971
Non-current assets	777	537	935	450	2,699
Current liabilities	2,841	701	644	1,130	5,316
Non-current liabilities	478	324	18	103	923
2021					
Current assets	5,559	2,423	869	717	9,568
Non-current assets	799	550	942	465	2,756
Current liabilities	2,521	657	556	637	4,371
Non-current liabilities	472	323	17	99	910

The balances presented in others are composed of the other entities in the Group including CIC's standalone balances.

Key Performance Indicators

The Company monitors its financial and operating performance in terms of the following indicators:

	For period ended March 31, 2022	For period ended March 31, 2021
Gross Profit Margin	32.0%	36.7%
Profit Before Tax	1.9%	6.3%
Net Income (Loss) Attributable to Shareholders (Php Millions)	(21.3)	58.5
Net Income (Loss) Attributable to Shareholders (% to Sales)	(0.7%)	2.0%
Return on Average Equity	(1.7%)	4.5%
Return on Average Assets	1.0%	3.9%
Earnings per Share*	(0.1)	0.1

	As at March 31, 2022	As at March 31, 2021
Debt to Equity Ratio	1.0	0.9
Asset-to-Equity Ratio	2.0	1.9
Book Value Per Share*	11.9	12.6

Key Performance Indicator	Definition
Gross Profit Margin	Gross Profit/Net Sales
Profit Before Tax	Profit before Tax/Net Sales
Return on Average Equity	Net Income after Non-Controlling Interest / Average Shareholder's Equity net of Non-Controlling Interest
Return on Average Assets	Net Income / Average Assets
Earnings Per Share	Net Income after Non-Controlling Interest / Average Shares Outstanding
Debt to Equity Ratio	Total Liabilities/Total Equity
Asset-to-Equity Ratio	Total Assets/Total Equity
Book Value Per Share	Shareholder's Equity net of Non-Controlling Interest / Total Shares Outstanding

*Total Number of Shares (weighted average) used was 401,855,091 in 2022, and 401,955,091 in 2021

RESULTS OF OPERATIONS

Period ended March 31, 2022 compared with period ended March 31, 2021

The expected business recovery can be seen in Q1 2022 as GDP grew by 8.3%. This is in contrast with the contraction of -3.9% experienced during Q1 2021. Commodity prices, inflation, and FX rates remain challenging, but the economy continued to grow due to the opening up of the economy from the Alert level 1, the effective vaccination campaign including booster shots and increased consumer and commercial demand.

Net sales and services

For the period ended March 31, 2022, the total consolidated net sales and services was at P3.1 billion, an increase of 7.2% from same period in 2021.

The Consumer Business was at P2.3 billion, a decline of 2.3% from same period in 2021. The decrease in sales was mainly caused by COVID-19 restrictions due to surge of Omicron early in the quarter. Further challenges were experienced due to supply chain disruptions and increasing inflation mainly caused by global economic crisis brought by civil war in Europe.

The Commercial Business increased sales by 51.6% to P767.9 million from same period in 2021. The increase was due to development in commercial markets in building projects, building starts, and civil starts in later quarter of 2021, which supported the improvements in pipelines, backlogs, and orders of HVAC, escalator and elevator segment of the Company.

Gross Profit and Margins

CIC registered consolidated gross profit was P988.5 million for the period ended March 31, 2022, a 6.4% decrease from same period in 2021. The decrease was attributed by lower volume in the beginning of the quarter, lower margins mainly due to higher commodity and logistics costs and unfavorable FX.

Operating Expenses

CIC's total operating expenses was P846.4 million for the period ended March 31, 2022, 3.7% lower over 2021, due to imposed furlough, lower advertising and promotion and various cost reduction activities.

Other Operating Income (loss) and Finance Costs

Other operating loss of P56.0 million was mainly driven by the losses from foreign exchange and the finance cost of P6.4 million was mainly related to interest expense on short-term borrowings and amortization of lease liabilities.

Net Income

CIC achieved for the period ended March 31, 2022, P30.6 million in consolidated income, a 76.1% decline from 2021, while profit after tax after minority interest (PATAMI) decreased by 136.5% against same period in 2021 to loss of P21.3M. Profit before tax was at P57.7 million vis-à-vis 2021's P180.2 million, a 68.0% decline from 2021. The decrease in earnings was due to lower volume affected by the restrictions imposed on resurgence of COVID early in the quarter, higher commodity and logistics costs and unfavorable FX. These headwinds were partially offset with selling price increases and cost curtailment actions.

FINANCIAL CONDITION

As at March 31, 2022 compared with as at December 31, 2021

Consolidated total assets as at March 31, 2022 was at P12.7 billion, increase by P345.8 million from end of 2021 of P12.3 billion. The increase in assets was mainly from contract assets and inventories. Consolidated net cash position was decreased by 7.9% to P2.3 million compared to end of 2021.

Inventory increased by 550.9 million to P3.5 billion compared to December 31, 2021 was due to lower revenue than expected in Q1, build up in anticipation for the peak season in Q2 and due to uncertainty on deliveries resulting from COVID related supply disruptions.

Total liabilities as at March 31, 2022 amounted to P6.2 billion, an increase of P958.3 million from December 31, 2021, mainly from trade payables and other liabilities due to higher inventory purchases in Q1 2022.

WORKING CAPITAL

As at March 31, 2022 and December 31, 2021, the Company's net current assets (the difference between total current assets, including cash and cash equivalents, and total current liabilities), was P4.7 billion and 5.2 billion, respectively, representing working capital sufficiency.

The Company's current assets consist of cash and cash equivalents, trade and other receivables, contract assets, inventories and prepayments and other current assets. The Company's current liabilities consist of trade payables and other liabilities, short-term borrowings, lease liabilities, provisions for warranty, other provisions, and income tax payable.

CASH FLOWS

The following table sets forth information from the Company's consolidated statements of cash flows for the periods indicated (amounts in millions):

	For the period ended March 31	
	2022	2021
Net cash flows provided by (used in) operating activities	(6)	167
Net cash flows used in investing activities	(11)	(22)
Net cash flows used in financing activities	(182)	(141)
Net increase (decrease) in cash and cash equivalents	(199)	3

The net cash flows used by operating activities for the period ended March 31, 2022 was at P5.9 million composed of income before provision for income tax of P57.7 million, excluding adjustments, changes in working capital, interest received and including actual income tax paid. The decrease in operating activities were due to high inventory and catch-up of payment for 2021 payables.

The net cash flows used in investing activities for the period ended March 31, 2022 was at P10.6 million, mainly for the acquisition of property and equipment.

The net cash flows used in financing activities for the period ended March 31, 2022 was at P182.3 million, relating to dividend payout, short-term borrowings and lease liabilities.