



SM INVESTMENTS



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Growth with Purpose

At SM, we are focused on delivering growth that creates lasting value to all our stakeholders and the communities we serve. Our strategy is built on a foundation of customer knowledge, market leadership and continuous innovation, ensuring that every step forward strengthens our position and enhances shareholder returns.

Inspired by the entrepreneurial vision of our founder, Henry Sy, Sr., we have evolved from a single shoe store in Downtown Manila into one of the most diversified and resilient business groups in the country. This journey has been fueled by strategic investments, operational excellence, and a deep understanding of evolving consumer and market trends.

We operate in sectors that remain highly under-penetrated and we focus on expanding our footprint nationwide. As we grow, we create new opportunities for our partners, from suppliers and tenants to employees and investors, ensuring that SM’s success translates into shared prosperity.

With a strong presence across retail, property and banking, we continue to maximize synergies and unlock new revenue streams. Our focus remains on customer service and sustainable value creation that will propel us toward long-term success.

This report highlights our progress and strategy, demonstrating how SM is shaping industries, serving communities and driving economic growth.

WE ARE SM



Our Vision

It is our vision to build an ecosystem of sustainable businesses that are catalysts for responsible development in the communities we serve.

We are committed to partner with our host communities to provide a consistently high standard of service to our customers, look after the welfare of our employees and deliver sustainable returns to our shareholders, at all times upholding the highest standards of corporate governance and environmental stewardship in all our businesses.



Statement of Management’s Responsibility for Financial Statements

The management of SM Investments Corporation and Subsidiaries (the Group) is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, as at December 31, 2024 and 2023, and for each of the three years in the period ended December 31, 2024 in accordance with the prescribed financial reporting framework indicated therein, and for such internal controls as management determines are 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 cease operations, or has no realistic alternative but to do so. The Board of Directors is responsible for overseeing the Group’s financial reporting process.

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


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



Amando M. Tetangco, Jr.
Chairman of the Board



Frederic C. DyBuncio
President and
Chief Executive Officer



Erwin G. Pato
Treasurer and
Executive Vice President

Signed this 28th day of February 2025

Report of the Audit Committee

The Audit Committee (“Committee”) assists the Board of Directors in fulfilling its oversight responsibilities to ensure the quality and integrity of SM Investments Corporation’s (SMIC or the “Company”) financial reporting, internal control system, internal and external audit processes, and compliance with relevant laws and regulations. Likewise, the Committee oversees special investigations as may be necessary.

The Committee is composed of three (3) independent directors. The Committee members have relevant background, knowledge, skill and/or experience in the areas of finance and accounting, audit, risk management, information technology, and corporate governance. In 2024, they attended an annual corporate governance training program approved by the Securities and Exchange Commission (SEC). The Committee also performed the annual self-assessment/evaluation and reviewed its performance against its Charter and other regulatory mandates to ensure its satisfactory performance.

The profiles and qualifications of the Committee members are as follows:

- **Tomasa H. Lipana** (Chair) is a Lead Independent Director of SMIC. She is a former Chairperson and Senior Partner of Isla Lipana & Co., the Philippine member firm of PricewaterhouseCoopers. She is also an independent director and Audit Committee Chairperson of Flexo Manufacturing Corporation and OceanaGold (Philippines), Inc.. Previously, she was an independent director of Rural Bank of Silay City, Inc., Goldilocks Bakeshop Inc., Inter-Asia Development Bank, and QBE Seaboard Insurance Philippines. She was also an appointive Director of Trade and Investment Development Corporation (Philippine Guarantee Corporation, formerly Philippine Export-Import Credit Agency), the entity in-charge of the government guarantee system, for more than 5 years. She is a Fellow and Trustee of the Institute of Corporate Directors, and a Trustee of the Shareholders’ Association of the Philippines, Inc., among other non-profit organizations. Ms. Lipana attended Executive Education/ Management Development Programs at Harvard Business School, University of Western Ontario, and Asian Institute of Management. She was bestowed the Accountancy Centennial Award for Excellence by the Professional Service Commission – Board of Accountancy. She also received the Outstanding CPA in the Public Practice Award from the Philippine Institute of Certified Public Accountants and the Outstanding Alumna Award from the University of the East where she graduated Cum Laude. She is also a CPA Board placer.
- **Ramon M. Lopez** is an Independent Director of SMIC. He also currently serves as an Independent Director of the AIC Group of Companies Holding Corporation (a subsidiary of SMIC in the Logistics sector). He also serves as Independent Director of Monde Nissin Corporation. He is also a Board Trustee and Vice-Chairman of the Valenzuela City Technological College (ValTech) that provides education and training for industrial workforce advancement. Mr. Lopez was recently appointed as Chairman of the Governing Board of the Economic Research Institute for ASEAN and East Asia (ERIA). He also serves as Independent Director in the Boards of unlisted companies, namely New Marketlink Pharmaceuticals Corporation; Pilmico Foods and Agribusiness Corp.; Seedbox Securities Inc., which provides an online financial investment platform; and, Asian Consulting Group (ACG), a tax consulting services/advocacy for SMEs, top corporations in the Asia-Pacific. Mr. Lopez is also a Member of the Board of Advisors in Packworks Venture PTE. LTD., a start-up venture that provides a digital operations systems for micro-entrepreneurs. Mr. Lopez is also a Board Trustee in Bayan Family of Foundations, a non-profit organization providing entrepreneurship education and SMEs/social enterprise development. Mr. Lopez was the former Secretary of the Philippine Department of Trade and Industry (DTI). He has served for the full term of the administration of former President Rodrigo Roa Duterte. He chaired during his term the DTI institutions such as the Board of Investments, the Philippine Economic Zone Authority, the Export Development Council, Anti-Red Tape Authority Advisory Council, and Philippine International Trading Corp. He also supervised attached agencies such as the Intellectual Property Office of the Philippines, Technical Education and Skills Development Authority, and the Cooperative Development Authority, among others. He has received several awards such as the 2016 Nation Builders Award for Government Service and the Philippine Innovation Man of the Year Award in 2017. In 2018, he received from former President Duterte the Presidential Award, Order of Sikatuna, with a rank of Datu, one of the senior honors one can receive in the Philippines. He was also named by People Asia as one of the 2020 People of the Year, for the re-opening of the economy during the pandemic. In June 2022, he was also awarded the Presidential Medal of Merit for his vital role in the Inter-Agency Task Force for the Management of Emerging Infectious Diseases. He also received The Asia CEO Awards 2022 “Lifetime Contributor of the Year Award”. Mr. Lopez has a Master’s Degree in Development Economics 1988 class at Williams College, Massachusetts USA and an AB Degree in Economics (1981) from the University of the Philippines School of Economics.

- **Amando M. Tetangco, Jr.** is an Independent Director and Chairman of the Board of SMIC (effective June 16, 2023). He is also an Independent Director and Vice Chairman of the Board of Directors of SM Prime Holdings, Inc. He is concurrently an independent Director of Converge ICT Solutions, Inc. and Shell Pilipinas Corporation. He also currently holds directorates in Manila Hotel and Toyota Motor Philippines. He is also a trustee of St. Luke's Medical Center, Tan Yan Kee Foundation and Foundation for Liberty and Prosperity. Mr. Tetangco graduated from Ateneo de Manila University with an AB Economics degree (cum laude), and obtained his Master's in Public Policy and Administration (Development Economics) at the University of Wisconsin at Madison, Wisconsin, USA, as a BSP scholar. He was conferred the Honorary Doctorate in Management by the Asian Institute of Management in 2023. He attended various training programs at different institutions, including the Harvard Business School and the New York Institute of Finance. Mr. Tetangco was the third Governor of the Bangko Sentral ng Pilipinas (BSP) and Chairman of the Monetary Board, and served for two consecutive 6-year terms from July 2005 to July 2017. He was conferred the Order of Lakandula with the Rank of Bayani by the President of the Philippines in 2009 and the Order of the Rising Sun, Gold and Silver Star by the Emperor of Japan in 2019. He also received multiple recognition by a number of international organizations as one of the best central bank governors and chosen as MAP Management Man of the Year in 2015.

Presented below are the dates of Committee meetings and the attendance of each member.

		Audit Committee			
Office	Name	2024 Meetings and Attendance			
		2/26	5/6	8/5	11/11
Chairperson (ID)	Tomasa H. Lipana	√	√	√	√
Member (ID)	Ramon M. Lopez	√	√	√	√
Member (ID)	Amando M. Tetangco, Jr.	√	√	√	√

In compliance with the Audit Committee Charter, the Manual of Corporate Governance, and relevant laws and regulations, the Audit Committee performed the following activities relating to the three (3) major areas of concern:

Internal Audit

1. The Committee provided oversight of the Internal Audit.

Under SMIC's Internal Audit Charter, the primary purpose of Internal Audit is to strengthen SMIC's ability to create, protect, and sustain value by providing the Board of Directors and Senior Management with independent, risk-based, objective, and reasonable assurance, advice, insight, and foresight through systematic and disciplined evaluation of SMIC's governance system, risk management, and internal control environment.

To maintain the independence of the Internal Audit, the Chief Audit Executive (CAE) administratively reports to the Chief Executive Officer and functionally reports to the Board of Directors, through the Audit Committee.

The CAE has direct and free access to communicate with the Management and Audit Committee. The entire Internal Audit Team has full and unrestricted access to all records, documents, systems, and information required for the effective and efficient audit process.

2. The Committee reviewed and approved the 2024 Internal Audit plan, including the scope, methodology, organization structure and staffing.
3. The Committee monitored the implementation of the Internal Audit plan and reviewed the periodic reports of the CAE, summarizing the overall assessment of the Company's control environment, significant audit findings and areas of concern as well as the corresponding management responses and action plans.

External Audit

The Audit Committee has the primary responsibility to make a well-informed recommendation regarding the appointment, re-appointment or removal of the External Auditor.

The External Auditor is tasked to undertake an independent audit and provide and perform an objective assurance on the preparation and presentation of the financial statements.

4. The Committee reviewed/discussed with the External Auditor, SGV & Co., the following:
 - The annual audit plan for 2024, including scope, approach, risk-based methods, focus areas and time table;
 - The results of its examination and action plan to address pending audit issues; and
 - The assessment of internal controls and quality of financial reporting.
5. The Committee reviewed/discussed the report of SGV & Co. on significant accounting issues, changes in accounting policies/standards, and major pending tax legislations, which would impact the Company and its subsidiaries.
6. The Committee discussed with SGV & Co. the matters required to be disclosed under the prevailing applicable Auditing Standards, and obtained from said Firm a letter confirming its independence, as required by prevailing applicable Independence Standards.
7. The Committee reviewed and approved all audit and non-audit services provided by SGV & Co. to the Company. The Committee also reviewed the significance of non-audit related fees in relation to the annual fees.

Financial Statements

8. The Committee assessed the internal control system of the Company based upon the review and evaluation done and reported by the internal and external auditors and noted that the system is generally adequate to generate reliable financial statements.
9. The Committee reviewed and endorsed to the Board for approval the unaudited consolidated financial statements of SM Investments Corporation and its subsidiaries for the first quarter ended March 31, 2024, second quarter ended June 30, 2024, and third quarter ended September 30, 2024.
10. Based on its review and discussion, and subject to the limitations on the roles and responsibilities referred to above, the Committee recommended for Board approval, and the Board approved, the audited consolidated financial statements of SM Investments Corporation and its subsidiaries for the year ended December 31, 2024.
11. The Committee reviewed and discussed the performance, independence and qualifications of the External Auditor, SGV & Co., in the conduct of their audit of the consolidated financial statements of SM Investments Corporation and its subsidiaries for the year. Based on the review of their performance and qualifications, the Committee also recommended the re-appointment of SGV & Co. as the Company's External Auditor for 2025.

28 February 2025



Tomasa H. Lipana
Chairperson



Ramon M. Lopez
Member



Amando M. Tetangco, Jr.
Member



Atty. Elmer B. Serrano
Corporate Secretary

Independent Auditor's Report

**The Board of Directors and Stockholders
SM Investments Corporation**

Opinion

We have audited the consolidated financial statements of SM Investments Corporation and Subsidiaries (the Group), which comprise the consolidated balance sheets as at December 31, 2024 and 2023, and the consolidated statements of income, 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 December 31, 2024, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2024 and 2023, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2024 in accordance with Philippine Financial Reporting Standards (PFRS) Accounting Standards.

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.

Accounting for Investments in Associate Companies

The Group's investments in associate companies are accounted for under the equity method and considered for impairment if there are indicators that such investments may be impaired. As at December 31, 2024, the Group's investment in a banking associate amounted to ₱288.0 billion, representing 21.9% of the Group's total noncurrent assets, and the Group's share in its net income amounted to ₱38.3 billion and accounts for 33.4% of the Group's consolidated net income. Given the magnitude of the banking associate's carrying amount and contribution to the Group's consolidated net income, the significant management judgments and estimates made by the banking associate in determining expected credit loss and valuation of financial instruments that affect its net income, as well as the significant management judgments and estimates applied in determining the recoverable amount of the Group's investments in mining and real estate associate companies with impairment indicators, we consider this matter significant to our audit.

The details of these investments are disclosed in Note 13 to the consolidated financial statements.

Audit Response

For the banking associate audited by other auditor, we evaluated the competence, capabilities and independence of other auditor by considering their qualifications and relevant experience and obtaining independence confirmation. We sent audit instructions to the other auditor to perform an audit on the relevant financial information of the associate company for the purpose of the Group's consolidated financial statements. Our audit instructions cover the other auditor's scope of work, risk assessment procedures, audit strategy and reporting responsibilities. We discussed with the other auditor their key audit areas, planning and execution of audit procedures, significant areas of estimation and judgment, and results of their work for the year ended December 31, 2024. We reviewed the working papers of the other auditor, focusing on the procedures performed on the review of the testing of the expected credit loss model and valuation of financial instruments. We also obtained relevant financial information of the banking associate and recomputed the Group's share in net income for the year ended December 31, 2024.

For investments with indicators of possible impairment, we involved our internal specialist in evaluating the methodologies and the assumptions used. We compared the key assumptions used, such as revenue growth rate against the historical performance of these associate companies and other relevant external data. We tested the parameters used in the determination of the discount rate against market data. We also reviewed the Group's disclosures about those assumptions to which the outcome of the impairment test is most sensitive; specifically, those that have the most significant effect on the determination of the recoverable amount of investment in associate companies.

Revenue and Cost Recognition from Sale of Real Estate

The Group's real estate revenue recognition process, policies and procedures are significant to our audit because these involve application of significant judgment and estimation in the following areas: (1) assessment of the probability that the entity will collect the consideration from the buyer; (2) determination of the transaction price; (3) application of the output method as the measure of progress in determining revenue from sale of real estate; (4) determination of the actual costs incurred as cost of real estate sold; and (5) recognition of cost to obtain a contract.

In evaluating whether collectability of the amount of consideration is probable, the Group considers the significance of the buyer's initial payments in relation to the total contract price (or buyer's equity). Collectability is also assessed by considering factors such as history with the buyer, age of the outstanding receivables and pricing of the property. Management regularly evaluates the historical sales cancellations and back-outs if it would still support its current threshold of buyer's equity before commencing revenue recognition.

In determining the transaction price, the Group considers whether the selling price of the real estate property includes significant financing component.

In measuring the progress of its performance obligation over time, the Group uses the output method. This method measures progress of work based on physical proportion of work done, including the impact of customized uninstalled materials, on the real estate project which requires technical determination by the Group's project engineers. This is based on the monthly project accomplishment report prepared by the third party engineers, as approved by the construction managers.

In determining the actual costs incurred to be recognized as cost of real estate sold, the Group estimates costs incurred on materials, labor and overhead which include costs that were incurred but not yet billed by the contractor.

The Group identifies sales commissions after contract inception as cost of obtaining a contract. For contracts which qualified for revenue recognition, the related sales commissions are amortized consistent with the revenue recognition.

The disclosures related to the Group's revenue recognition are included in Note 3 to the consolidated financial statements.

Audit Response

For the buyer's equity, we evaluated management's basis of the buyer's equity by comparing this to the historical analysis of sales cancellations from buyers with accumulated payments above the collection threshold. We traced the analysis to supporting documents such as notice of sales cancellation.

For the determination of the transaction price of real estate sale, we obtained an understanding of the Group's process in the determination of the population of contracts with customers related to real estate sale and election of available practical expedient. We obtained the financing component calculation of management which includes an analysis whether the financing component of the Group's contract with customers is significant. We selected sample contracts from the sales contract database and traced these selected contracts to the calculation prepared by management. For these selected contracts, we traced the underlying data and assumptions used in the financing component calculation such as the transaction price, cash discount, payment scheme, payment amortization table, and percentage of completion (POC) to the contract provision and projected POC schedule. We evaluated the Group's application of portfolio approach in the financing component calculation by understanding the rationale and basis of the parameters used (i.e., grouping of performance obligation based on POC, grouping of contracts based on payment scheme). We test computed the financing component of each portfolio as prepared by management.

For the application of the output method in determining revenue from sale of real estate, we obtained an understanding of the Group's processes for determining the POC and performed tests of the relevant controls. We inspected the certified POC reports prepared by the third-party project managers and assessed their competence, capabilities and objectivity by reference to their qualifications, experience and reporting responsibilities. For selected projects, we conducted ocular inspections, made relevant inquiries and inspected the supporting details of POC reports showing the completion of the major activities of the project construction.

For the cost of real estate sold, we obtained an understanding of the Group's cost accumulation process and performed test of controls. For selected projects, we traced costs accumulated, including those incurred but not yet billed costs, to supporting documents such as contractors billing invoices, certificates of progress acceptance, official receipts and accomplishment reports, among others.

For the cost to obtain a contract, we selected sample contracts and agreed the basis for calculating the sales commissions, particularly (a) the percentage of commissions due against contracts with sales agents, (b) the total commissionable amount (e.g., net contract price) against the related contract to sell, and, (c) the POC against the POC used in recognizing the related revenue from sale of real estate.

Existence and Completeness of Merchandise Inventories

As at December 31, 2024, the merchandise inventories of the Group amounted to ₱42.0 billion, representing 10.9% of the Group's total current assets. The Group has several warehouses and operates multiple stores across the country. Since the merchandise inventories are material to the consolidated financial statements, and various warehouses and stores are geographically dispersed across the country, we consider this a key audit matter.

The disclosures about inventories are included in Note 11 to the consolidated financial statements.

Audit Response

We obtained an understanding of the Group's inventory process and performed test of controls for selected stores and warehouses. We observed the conduct of physical inventory count at selected warehouses and stores. We performed test counts and compared the results to the Group's inventory compilation reports to determine if the compilation reports reflect the results of the actual inventory count. We traced the last documents used for shipping, receiving, and transfers which were obtained during the inventory count observation to the accounting records of sales and purchases. We inspected the reconciliations of the inventory compilation reports with the general ledger account balances and tested the reconciling items. We performed testing, on a sampling basis, of the Group's rollforward or rollback procedures on inventory quantities from the date of physical inventory count to the financial reporting date.

For the material components audited by other auditor, we discussed with the other auditor the strategy, execution of audit procedures and results of their work over the merchandise inventories. We also reviewed their working papers on merchandise inventories, specifically on the observation and testing of physical inventory counts, testing of compilation procedures and the reconciliation of the physical inventory count to the general ledger and financial reports.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20IS (Definitive Information Statement), SEC Form 17A and Annual Report for the year ended December 31, 2024, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20IS (Definitive Information Statement), SEC Form 17A and Annual Report for the year ended December 31, 2024 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 will 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 PFRS Accounting Standards, 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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

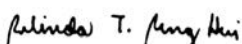
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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 Belinda T. Beng Hui.

SYCIP GORRES VELAYO & CO.


Belinda T. Beng Hui

Partner

CPA Certificate No. 88823

Tax Identification No. 153-978-243

BOA/PRC Reg. No. 0001, April 16, 2024, valid until August 23, 2026

BIR Accreditation No. 08-001998-078-2023, October 23, 2023, valid until October 22, 2026

PTR No. 10465271, January 2, 2025, Makati City

February 28, 2025

SM INVESTMENTS CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

(Amounts in Thousands)

	December 31	
	2024	2023
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 7, 21 and 28)	₱112,528,047	₱103,745,558
Time deposits (Notes 8, 21 and 28)	221,096	602,466
Financial assets at fair value through other comprehensive income (FVOCI) (Notes 9, 28 and 29)	794,433	747,840
Receivables and contract assets (Notes 10, 21 and 28)	92,268,970	79,209,522
Inventories (Note 11)	119,676,110	117,474,980
Other current assets (Notes 12, 21 and 28)	58,311,536	57,690,959
Total Current Assets	383,800,192	359,471,325
Noncurrent Assets		
Financial assets at FVOCI - net of current portion (Notes 9 and 28)	26,361,789	26,317,778
Investments in associate companies and joint ventures (Note 13)	399,483,760	361,324,800
Time deposits - net of current portion (Notes 8, 21, 28 and 29)	3,113,470	22,324,681
Property and equipment (Note 14)	57,356,628	52,851,633
Investment properties (Note 15)	592,949,802	537,067,223
Right-of-use assets (Note 27)	49,185,455	48,540,412
Intangibles (Note 16)	40,386,475	40,275,568
Other noncurrent assets (Notes 16, 21 and 28)	146,414,611	138,045,093
Total Noncurrent Assets	1,315,251,990	1,226,747,188
	₱1,699,052,182	₱1,586,218,513
LIABILITIES AND EQUITY		
Current Liabilities		
Bank loans (Notes 17, 21, 28 and 31)	₱24,074,356	₱13,414,239
Accounts payable and other current liabilities (Notes 18, 21, 27 and 28)	210,372,577	200,169,027
Income tax payable	4,093,222	3,649,923
Current portion of long-term debt (Notes 19, 21, 28 and 31)	104,627,839	113,528,791
Total Current Liabilities	343,167,994	330,761,980
Noncurrent Liabilities		
Long-term debt - net of current portion (Notes 19, 21, 28, 29 and 31)	371,872,181	374,758,859
Lease liabilities - net of current portion (Notes 27 and 31)	33,191,553	32,342,279
Deferred tax liabilities (Note 26)	19,444,899	18,129,316
Tenants' deposits and others (Notes 25, 27, 28 and 29)	64,950,764	58,025,874
Total Noncurrent Liabilities	489,459,397	483,256,328
Total Liabilities	832,627,391	814,018,308

(Forward)

	December 31	
	2024	2023
Equity Attributable to Owners of the Parent Company		
Capital stock (Note 20)	₱12,261,146	₱12,261,146
Additional paid-in capital	71,752,158	71,837,361
Treasury stock	(40,912)	(40,912)
Equity adjustments from common control transactions (Note 20)	(6,948,729)	(6,660,472)
Cost of Parent common shares held by subsidiaries	(25,386)	(25,386)
Cumulative translation adjustment	1,821,115	1,587,205
Fair value changes on cash flow hedges and others	557,052	809,143
Unrealized gain on financial assets at FVOCI (Note 9)	9,898,983	11,075,393
Remeasurement loss on defined benefit asset/obligation (Note 25)	(2,099,656)	(3,150,991)
Share in other comprehensive loss of associate companies and joint ventures - net	(11,772,684)	(11,376,601)
Retained earnings (Note 20):		
Appropriated	30,000,000	37,000,000
Unappropriated	521,900,993	443,288,813
Total Equity Attributable to Owners of the Parent	627,304,080	556,604,699
Non-controlling Interests (Note 2)	239,120,711	215,595,506
Total Equity	866,424,791	772,200,205
	₱1,699,052,182	₱1,586,218,513

See accompanying Notes to Consolidated Financial Statements.

SM INVESTMENTS CORPORATION AND SUBSIDIARIES

Consolidated Statements of Income

(Amounts in Thousands Except Per Share Data)

	Years Ended December 31		
	2024	2023	2022
REVENUES			
Sales:			
Merchandise	₱421,756,981	₱401,725,529	₱367,318,577
Real estate	45,910,195	42,124,088	39,046,514
Rent (Notes 15, 21 and 27)	67,965,715	61,784,742	49,167,565
Equity in net earnings of associate companies and joint ventures (Note 13)	50,001,804	44,945,113	35,825,734
Others (Note 22)	69,142,303	65,672,415	61,640,188
	654,776,998	616,251,887	552,998,578
COSTS AND EXPENSES (Notes 11 and 23)	502,951,230	474,083,864	435,430,927
OPERATING INCOME	151,825,768	142,168,023	117,567,651
OTHER INCOME (CHARGES)			
Interest expense (Notes 21 and 24)	(23,710,242)	(24,084,744)	(21,547,070)
Interest income (Notes 21 and 24)	4,576,755	4,048,278	3,042,370
Gain (loss) from fair value changes on derivatives - net	(480,038)	(30,731)	866,500
Impairment reversal (provision) (Notes 13 and 15)	(475,721)	320,206	(787,166)
Foreign exchange gain (loss) - net and others (Note 28)	1,174,760	396,174	(2,092)
	(18,914,486)	(19,350,817)	(18,427,458)
INCOME BEFORE INCOME TAX	132,911,282	122,817,206	99,140,193
PROVISION FOR INCOME TAX (Note 26)			
Current	16,928,773	16,209,025	14,248,182
Deferred	1,329,603	423,118	546,638
	18,258,376	16,632,143	14,794,820
NET INCOME	₱114,652,906	₱106,185,063	₱84,345,373
Attributable to			
Owners of the Parent (Note 30)	₱82,608,707	₱76,989,043	₱61,653,665
Non-controlling interests	32,044,199	29,196,020	22,691,708
	₱114,652,906	₱106,185,063	₱84,345,373
Basic/Diluted Earnings Per Common Share			
Attributable to Owners of the Parent (Note 30)	₱67.60	₱63.00	₱50.88

See accompanying Notes to Consolidated Financial Statements.

SM INVESTMENTS CORPORATION AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

(Amounts in Thousands)

	Years Ended December 31		
	2024	2023	2022
NET INCOME	₱114,652,906	₱106,185,063	₱84,345,373
OTHER COMPREHENSIVE INCOME (LOSS)			
Items that will be reclassified to profit or loss in subsequent periods			
Cumulative translation adjustment	521,599	(1,035,219)	27,928
Fair value changes on cash flow hedges	(490,854)	(1,758,911)	4,608,383
	30,745	(2,794,130)	4,636,311
Items not to be reclassified to profit or loss in subsequent periods			
Remeasurement gain (loss) on defined benefit obligation (Note 25)	1,677,267	(2,503,907)	(1,274,242)
Net unrealized loss on financial assets at FVOCI (Note 9)	(1,072,817)	(599,993)	(2,478,988)
Income tax relating to items not to be reclassified to profit or loss in subsequent periods	(751,690)	344,024	(269,602)
	(147,240)	(2,759,876)	(4,022,832)
Share in other comprehensive loss of associate companies and joint ventures - net (Note 13)	(457,876)	(641,624)	(4,336,268)
TOTAL COMPREHENSIVE INCOME	₱114,078,535	₱99,989,433	₱80,622,584
Attributable to			
Owners of the Parent	₱82,069,721	₱72,881,710	₱56,987,529
Non-controlling interests	32,008,814	27,107,723	23,635,055
	₱114,078,535	₱99,989,433	₱80,622,584

See accompanying Notes to Consolidated Financial Statements.

SM INVESTMENTS CORPORATION AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

FOR THE YEARS ENDED DECEMBER 31, 2024, 2023 AND 2022

(Amounts in Thousands Except Per Share Data)

	Capital Stock	Additional Paid-in Capital	Treasury Stock	Equity Adjustments from Common Control Transactions	Cost of Parent Common Shares Held by Subsidiaries	Cumulative Translation Adjustment
As at January 1, 2024	₱12,261,146	₱71,837,361	(₱40,912)	(₱6,660,472)	(₱25,386)	₱1,587,205
Net income	-	-	-	-	-	-
Other comprehensive income (loss)	-	-	-	-	-	233,910
Total comprehensive income	-	-	-	-	-	233,910
Realized gain on sale of financial assets at FVOCI (Note 9)	-	-	-	-	-	-
Effect of business combination (Note 5)	-	-	-	(288,257)	-	-
Transactions with non-controlling interests	-	(85,203)	-	-	-	-
Cash dividends - ₱9.00 per share (Note 20)	-	-	-	-	-	-
Cash dividends paid to non-controlling interests	-	-	-	-	-	-
Reversal of appropriations - net	-	-	-	-	-	-
Net change in non-controlling interests	-	-	-	-	-	-
As at December 31, 2024	₱12,261,146	₱71,752,158	(₱40,912)	(₱6,948,729)	(₱25,386)	₱1,821,115
As at January 1, 2023	₱12,261,146	₱75,839,217	(₱40,912)	(₱6,660,472)	(₱25,386)	₱2,102,782
Net income	-	-	-	-	-	-
Other comprehensive loss	-	-	-	-	-	(515,577)
Total comprehensive income	-	-	-	-	-	(515,577)
Transactions with non-controlling interests	-	(4,001,856)	-	-	-	-
Cash dividends - ₱7.50 per share (Note 20)	-	-	-	-	-	-
Cash dividends paid to non-controlling interests	-	-	-	-	-	-
Net change in non-controlling interests	-	-	-	-	-	-
As at December 31, 2023	₱12,261,146	₱71,837,361	(₱40,912)	(₱6,660,472)	(₱25,386)	₱1,587,205

Equity Attributable to Owners of the Parent								
Fair Value Changes on Cash Flow Hedges and Others	Unrealized Gain (Loss) on Financial Assets at FVOCI	Remeasurement Gain (Loss) on Defined Benefit Asset/Obligation	Share in Other Comprehensive Loss of Associates - Net	Appropriated Retained Earnings	Unappropriated Retained Earnings	Total	Non-controlling Interests	Total Equity
₱809,143	₱11,075,393	(₱3,150,991)	(₱11,376,601)	₱37,000,000	₱443,288,813	₱556,604,699	₱215,595,506	₱772,200,205
-	-	-	-	-	82,608,707	82,608,707	32,044,199	114,652,906
(252,091)	(1,176,057)	1,051,335	(396,083)	-	-	(538,986)	(35,385)	(574,371)
(252,091)	(1,176,057)	1,051,335	(396,083)	-	82,608,707	82,069,721	32,008,814	114,078,535
-	(353)	-	-	-	353	-	-	-
-	-	-	-	-	-	(288,257)	-	(288,257)
-	-	-	-	-	-	(85,203)	9,296	(75,907)
-	-	-	-	-	(10,996,880)	(10,996,880)	-	(10,996,880)
-	-	-	-	-	-	-	(9,279,231)	(9,279,231)
-	-	-	-	(7,000,000)	7,000,000	-	-	-
-	-	-	-	-	-	-	786,326	786,326
₱557,052	₱9,898,983	(₱2,099,656)	(₱11,772,684)	₱30,000,000	₱521,900,993	₱627,304,080	₱239,120,711	₱866,424,791
₱1,610,364	₱11,823,413	(₱1,721,868)	(₱10,763,209)	₱37,000,000	₱375,463,837	₱496,888,912	₱195,301,099	₱692,190,011
-	-	-	-	-	76,989,043	76,989,043	29,196,020	106,185,063
(801,221)	(748,020)	(1,429,123)	(613,392)	-	-	(4,107,333)	(2,088,297)	(6,195,630)
(801,221)	(748,020)	(1,429,123)	(613,392)	-	76,989,043	72,881,710	27,107,723	99,989,433
-	-	-	-	-	-	(4,001,856)	174,174	(3,827,682)
-	-	-	-	-	(9,164,067)	(9,164,067)	-	(9,164,067)
-	-	-	-	-	-	-	(7,459,930)	(7,459,930)
-	-	-	-	-	-	-	472,440	472,440
₱809,143	₱11,075,393	(₱3,150,991)	(₱11,376,601)	₱37,000,000	₱443,288,813	₱556,604,699	₱215,595,506	₱772,200,205

	Capital Stock	Additional Paid-in Capital	Treasury Stock	Equity Adjustments from Common Control Transactions	Cost of Parent Common Shares Held by Subsidiaries	Cumulative Translation Adjustment
As at January 1, 2022	₱12,045,829	₱75,827,181	₱-	(₱6,298,551)	(₱25,386)	₱2,253,475
Net income	-	-	-	-	-	-
Other comprehensive income (loss)	-	-	-	-	-	(150,693)
Total comprehensive income	-	-	-	-	-	(150,693)
Effect of business combination (Note 5)	215,317	-	(40,912)	(361,921)	-	-
Transactions with non-controlling interests	-	12,036	-	-	-	-
Cash dividends - ₱6.25 per share (Note 20)	-	-	-	-	-	-
Cash dividends paid to non-controlling interests	-	-	-	-	-	-
Net change in non-controlling interests	-	-	-	-	-	-
As at December 31, 2022	₱12,261,146	₱75,839,217	(₱40,912)	(₱6,660,472)	(₱25,386)	₱2,102,782

See accompanying Notes to Consolidated Financial Statements.

Equity Attributable to Owners of the Parent

Fair Value Changes on Cash Flow Hedges and Others	Unrealized Gain (Loss) on Financial Assets at FVOCI	Remeasurement Loss on Defined Benefit Asset/Obligation	Share in Other Comprehensive Loss of Associates - Net	Appropriated Retained Earnings	Unappropriated Retained Earnings	Total	Noncontrolling Interests	Total Equity
(P1,201,352)	P14,289,319	(P1,026,650)	(P6,597,174)	P37,000,000	P321,337,891	P447,604,582	P176,003,603	P623,608,185
-	-	-	-	-	61,653,665	61,653,665	22,691,708	84,345,373
2,811,716	(2,465,906)	(695,218)	(4,166,035)	-	-	(4,666,136)	943,347	(3,722,789)
2,811,716	(2,465,906)	(695,218)	(4,166,035)	-	61,653,665	56,987,529	23,635,055	80,622,584
-	-	-	-	-	-	(187,516)	239,695	52,179
-	-	-	-	-	-	12,036	21,245	33,281
-	-	-	-	-	(7,527,719)	(7,527,719)	-	(7,527,719)
-	-	-	-	-	-	-	(5,273,377)	(5,273,377)
-	-	-	-	-	-	-	674,878	674,878
P1,610,364	P11,823,413	(P1,721,868)	(P10,763,209)	P37,000,000	P375,463,837	P496,888,912	P195,301,099	P692,190,011

SM INVESTMENTS CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows

(Amounts in Thousands)

	Years Ended December 31		
	2024	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	₱132,911,282	₱122,817,206	₱99,140,193
Adjustments for:			
Equity in net earnings of associate companies and joint ventures (Note 13)	(50,001,804)	(44,945,113)	(35,825,734)
Depreciation and amortization (Notes 14, 15, 16, 23 and 27)	26,507,988	24,706,691	23,653,863
Interest expense (Note 24)	23,710,242	24,084,744	21,547,070
Interest income (Note 24)	(4,576,755)	(4,048,278)	(3,042,370)
Provisions - net (Notes 10 and 23)	4,176,204	4,400,289	5,099,217
Dividend income (Note 22)	(870,899)	(911,619)	(1,177,340)
Loss (gain) from fair value changes on derivatives - net	480,038	30,731	(866,500)
Impairment provision (reversal) (Notes 13 and 15)	475,721	(320,206)	787,166
Gain on disposal of investments and properties - net (Notes 13, 14 and 15)	(445,287)	(66,131)	(209,206)
Unrealized foreign exchange loss (gain) - net	(96,596)	44,431	1,132,078
Income before working capital changes	132,270,134	125,792,745	110,238,437
Increase in:			
Receivables and contract assets	(21,278,847)	(16,882,660)	(7,501,824)
Other current assets	(2,514,083)	(1,436,571)	(635,950)
Inventories	(2,185,107)	(24,275,052)	(40,685,904)
Increase in:			
Accounts payable and other current liabilities	9,732,351	14,194,998	34,081,718
Tenants' deposits and others	8,113,221	9,233,692	2,544,753
Net cash generated from operations	124,137,669	106,627,152	98,041,230
Income tax paid	(16,487,998)	(15,747,502)	(13,356,765)
Net cash provided by operating activities	107,649,671	90,879,650	84,684,465
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of:			
Investment in associate companies and joint ventures	1,585,559	-	50,000
Investment properties	605,913	74,855	84,863
Property and equipment	318,000	52,738	241,913
Additions to:			
Investment properties (Note 15)	(67,568,789)	(68,205,952)	(33,990,435)
Property and equipment (Note 14)	(12,748,787)	(12,361,763)	(9,678,003)
Investments in associate companies and joint ventures (Note 13)	(5,336,879)	(288,227)	(73,500)
Financial assets at FVOCI	(1,508,238)	(692,125)	-
Decrease (increase) in:			
Time deposits	19,592,582	9,857,111	(27,518,818)
Other noncurrent assets	(254,128)	14,679,276	8,794,846
Dividends received	15,727,366	11,240,255	8,136,996
Interest received	4,478,192	4,289,389	2,846,341
Purchase consideration net of cash, from acquisition of subsidiaries (Note 5)	-	-	(88,608)
Net cash used in investing activities	(45,109,209)	(41,354,443)	(51,194,405)

(Forward)

	Years Ended December 31		
	2024	2023	2022
CASH FLOWS FROM FINANCING ACTIVITIES			
Availments of:			
Long-term debt	₱112,875,555	₱107,590,529	₱100,256,801
Bank loans	105,535,009	45,599,966	66,878,421
Payments of:			
Long-term debt	(131,653,274)	(103,343,041)	(72,630,533)
Bank loans	(94,961,213)	(52,906,823)	(73,264,105)
Interest	(22,223,651)	(22,834,339)	(19,909,588)
Dividends	(20,434,530)	(17,335,101)	(12,714,420)
Lease liabilities	(5,308,424)	(5,219,712)	(4,853,925)
Proceeds from matured derivatives - net	2,404,388	-	-
Acquisition of non-controlling interest in a subsidiary	-	(5,169,476)	-
Partial sale of shares in a subsidiary	-	1,294,623	-
Net cash used in financing activities	(53,766,140)	(52,323,374)	(16,237,349)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	8,774,322	(2,798,167)	17,252,711
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	8,167	(17,347)	(44,273)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR (Note 7)	103,745,558	106,561,072	89,352,634
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 7)	₱112,528,047	₱103,745,558	₱106,561,072

See accompanying Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

1. Corporate Information

SM Investments Corporation (SMIC or Parent Company) was incorporated in the Philippines on January 15, 1960. On December 27, 2019, the Philippine Securities and Exchange Commission (SEC) approved the amendment of the Parent Company's articles of incorporation changing its corporate life to perpetual. Its registered office address is 10th Floor, OneE-Com Center, Harbor Drive, Mall of Asia Complex, CBP-1A, Pasay City 1300.

SMIC is one of the largest publicly listed companies in the Philippines with interests in market leading businesses in retail, banking and property. It also invests in ventures that capture high growth opportunities in the emerging Philippine economy.

The accompanying consolidated financial statements were authorized for issue by the Board of Directors (BOD), as approved and recommended for approval by the Audit Committee, on February 28, 2025.

2. Basis of Preparation and Statement of Compliance

Basis of Preparation

The consolidated financial statements of the Parent Company and its subsidiaries (the Group) are prepared on a historical cost basis, except for derivative financial instruments and financial assets at fair value through other comprehensive income (FVOCI) which are measured at fair value. The consolidated financial statements are presented in Philippine Peso, which is the Parent Company's functional and presentation currency under Philippine Financial Reporting Standards (PFRS) Accounting Standards. All values are rounded to the nearest thousand Peso except when otherwise indicated.

Statement of Compliance

The accompanying consolidated financial statements have been prepared in compliance with PFRS Accounting Standards.

Basis of Consolidation

The Group is considered to have control over an investee when the Group has:

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

When the Group has less than majority of the voting or similar rights of an investee, the Group 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; and,
- the Group's voting rights and potential voting rights.

The Group reassesses 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 Group obtains control over the subsidiary and ceases when the Group loses control over the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included or excluded in the consolidated financial statements from the date the Group gains control until the date the Group ceases to have control over the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction. When the Group loses control over a subsidiary, it:

- derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- derecognizes the carrying amount of any noncontrolling interests;
- derecognizes the cumulative translation adjustments recorded in equity;
- recognizes the fair value of the consideration received;
- recognizes the fair value of any investment retained;
- recognizes any surplus or deficit in profit or loss; and
- reclassifies the Parent Company's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate.

The consolidated financial statements include the accounts of the Parent Company and the subsidiaries listed below:

Company	Principal Activities	Percentage of Ownership			
		2024		2023	
		Direct	Indirect	Direct	Indirect
Property					
SM Prime Holdings, Inc. (SM Prime) and Subsidiaries	Real estate development	50	–	50	–
SM Development Corporation and Subsidiaries	Real estate development	–	100	–	100
Highlands Prime Inc. and Subsidiary	Real estate development	–	100	–	100
Costa del Hamilo, Inc. and Subsidiary	Real estate development	–	100	–	100
Magenta Legacy, Inc.	Real estate development	–	100	–	100
Associated Development Corporation	Real estate development	–	100	–	100
Prime Metro Estate, Inc. and Subsidiary	Real estate development	–	100	–	100
Tagaytay Resort Development Corp	Real estate development	–	100	–	100
SM Arena Complex Corporation	Conventions	–	100	–	100
MOA Esplanade Port, Inc.	Port terminal operations	–	100	–	100
Premier Clark Complex, Inc.	Real estate development	–	100	–	100
SM Hotels and Conventions Corp. and Subsidiaries	Hotel and conventions	–	100	–	100
First Asia Realty Development Corp.	Real estate development	–	74	–	74
Premier Central, Inc. and Subsidiary	Real estate development	–	100	–	100
Consolidated Prime Dev. Corp.	Real estate development	–	100	–	100
Premier Southern Corp.	Real estate development	–	100	–	100
San Lazaro Holdings Corporation	Real estate development	–	100	–	100
Southernpoint Properties Corp.	Real estate development	–	100	–	100
First Leisure Ventures Group Inc.	Real estate development	–	50	–	50
CHAS Realty and Development Corporation and Subsidiaries	Real estate development	–	100	–	100
Springfield Global Enterprises Limited* [BVI]	Real estate development	–	100	–	100
Simply Prestige Limited and Subsidiaries* [BVI]	Real estate development	–	100	–	100
SM Land (China) Limited and Subsidiaries* [Hong Kong]	Real estate development	–	100	–	100
Rushmore Holdings, Inc.	Real estate development	–	100	–	100
Prime_Commercial Property Management Corp. and Subsidiaries	Real estate development	–	100	–	100
Mindpro, Incorporated	Real estate development	–	70	–	70
A. Canicosa Holdings, Inc.	Real estate development	–	100	–	100
AD Canicosa Properties, Inc.	Real estate development	–	100	–	100
Cherry Realty Development Corporation	Real estate development	–	100	–	100
Supermalls Transport Services, Inc.	Real estate development	–	100	–	100
SM Smart City Infrastructure and Development Corporation	Real estate development	–	100	–	100
Britannia Trading Corp. and Subsidiaries	Trading, importing and exporting of goods	–	100	–	100
SMPHI SG Holdings Pte. Ltd.*[Singapore]	Investment	–	100	–	–
SM Guun Environmental Company, Inc.	Recycling and repurposing of waste	–	70	–	–
Mountain Bliss Resort & Development Corp. and Subsidiary	Real estate development	100	–	100	–
Intercontinental Development Corporation (ICDC)	Real estate development	97	3	97	3
Prime Central Limited and Subsidiaries*[BVI]	Investment	100	–	100	–
Bellevue Properties, Inc.	Real estate development	62	–	62	–
Neo Subsidiaries (a)	Real estate development	95	–	95	–
Nagtahan Property Holdings, Inc.	Real estate development	100	–	100	–
Philippines Urban Living Solutions, Inc. (PULSI)	Real estate development	71	–	71	–
Retail					
SM Retail Inc. (SM Retail) and Subsidiaries	Retail	77	–	77	–
Others					
Primebridge Holdings, Inc. and Subsidiaries	Investment	100	–	100	–
Multi-Realty Development Corporation	Investment	91	–	91	–
Henfels Investments Corporation	Investment	100	–	99	–
Belleshare Holdings, Inc.	Investment	99	–	99	–
2GO Group, Inc. and subsidiaries (2GO)	Integrated Supply Chain	67	–	67	–
Goldilocks Bakeshop, Inc. and subsidiaries	Bakery products and other food items	64	–	64	–
Globalfund Holdings, Inc.	Investment	100	–	100	–
SMIC SG Holdings Pte. Ltd.*[Singapore]	Investment	100	–	100	–
Katimak Holdings, Inc. (Note 5)	Investment	100	–	100	–
Allfirst Renewables Holdings, Inc. (Note 5)	Investment	89	11	89	11
Philippine Geothermal Production Company, Inc. (PGPC) and Subsidiaries (Note 5)	Development and utilization of minerals, geothermal and other products	60	40	60	40
AIC Group of Companies Holding Corp. (Airspeed) (Note 5)	Integrated Supply Chain	51	–	51	–

The principal place of business and country of incorporation of the subsidiaries listed above is in the Philippines except for those marked * and as indicated after the company name.

(a) Neo Subsidiaries include N-Plaza BGC Land, Inc., N-Plaza BGC Properties, Inc., N-Quad BGC Land, Inc., N-Quad BGC Properties, Inc., N-Square BGC Land, Inc., N-Square BGC Properties, Inc., N-Cube BGC Land, Inc., N-Cube BGC Properties, Inc., N-One BGC Land, Inc. and N-One BGC Properties, Inc.

Material Partly-owned Subsidiary

The non-controlling interests of SM Prime is material to the Group. Non-controlling shareholders hold 50% of SM Prime as at December 31, 2024 and 2023.

The summarized financial information of SM Prime follows:

Financial Position

	December 31	
	2024	2023
	(In Thousands)	
Current assets	₱230,681,830	₱217,455,628
Noncurrent assets	788,748,900	725,871,947
Total assets	₱1,019,430,730	₱943,327,575
Current liabilities	₱211,995,083	₱172,416,008
Noncurrent liabilities	371,195,157	372,024,531
Total liabilities	₱583,190,240	₱544,440,539
Total equity	₱436,240,490	₱398,887,036
Attributable to:		
Owners of the Parent	₱433,093,072	₱396,196,619
Non-controlling interests	3,147,418	2,690,417
	₱436,240,490	₱398,887,036

Statements of Comprehensive Income

	Years Ended December 31		
	2024	2023	2022
	(In Thousands)		
Revenues	₱140,390,872	₱128,097,541	₱105,785,635
Costs and expenses	72,353,754	66,818,300	56,542,322
Other charges	(11,194,653)	(11,439,422)	(10,529,309)
Income before income tax	56,842,465	49,839,819	38,714,004
Provision for income tax	10,303,029	8,975,974	7,970,875
Net income	46,539,436	40,863,845	30,743,129
Other comprehensive income (loss)	1,247,080	(213,165)	2,910,173
Total comprehensive income	₱47,786,516	₱40,650,680	₱33,653,302
Attributable to:			
Owners of the Parent	₱45,631,764	₱40,010,501	₱30,099,799
Non-controlling interests	907,672	853,344	643,330
Net income	₱46,539,436	₱40,863,845	₱30,743,129
Attributable to:			
Owners of the Parent	₱46,876,500	₱39,798,392	₱33,013,181
Non-controlling interests	910,016	852,288	640,121
Total comprehensive income	₱47,786,516	₱40,650,680	₱33,653,302
Dividends paid to non-controlling interests	₱454,430	₱324,450	₱144,050

Cash Flows

	Years Ended December 31		
	2024	2023	2022
	(In Thousands)		
Net cash provided by operating activities	₱67,288,953	₱62,655,469	₱35,693,273
Net cash used in investing activities	(64,554,152)	(66,714,473)	(52,244,301)
Net cash provided by (used in) financing activities	(3,296,817)	(6,227,315)	18,925,682
Effect of exchange rate changes on cash and cash equivalents	(8,615)	43,039	(90,424)
Net increase (decrease) in cash and cash equivalents	(₱570,631)	(₱10,243,280)	₱2,284,230

3. Summary of Material Accounting Policies, Changes and Improvements

The material accounting policies adopted in the preparation of the consolidated financial statements are summarized below.

Determination of Fair Value of Assets and Liabilities

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

The principal or the most advantageous market must be accessible to 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 the market participants act in their best economic interest.

The fair value measurement of a nonfinancial asset considers the market participant's ability to generate economic benefits by using and/or selling the asset to another market participant 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.

Assets and liabilities for which fair value is measured based on the lowest level input that is significant to the fair value measurement as a whole and disclosed in the consolidated financial statements based on the fair value hierarchy described below:

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; and,

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 transfers have occurred between levels in the hierarchy by re-assessing categorization at the end of each reporting period.

The Group determines the policies and procedures for both recurring and non-recurring fair value measurements. For the purpose of fair value disclosures, the Group has assessed the class of assets and liabilities on the basis of the nature, characteristics and risks of the subject asset or liability and the fair value hierarchy.

Financial Instruments

Financial Assets

Initial Recognition and Measurement

At initial recognition, financial assets are classified as, and measured at amortized cost, FVOCI, and fair value through profit or loss (FVPL). The classification at initial recognition depends on the contractual cash flow characteristics of the financial assets and the Group's business model for managing them. The initial measurement of financial assets, except for those classified as FVPL, includes the transaction cost. The exception is for trade receivables that do not contain a significant financing component. These are measured at the transaction price determined under PFRS 15, *Revenue from Contracts with Customers*.

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 payments of principal and interest (SPPI) on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at instrument level. 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.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent Measurement

Subsequent to initial recognition, the Group classifies its financial assets in the following categories:

- Amortized cost
- FVPL
- FVOCI
 - with recycling of cumulative gains and losses (debt instruments)
 - 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 when:

- The financial asset is held within a business model with the objective to hold these and collect contractual cash flows; and,
- The contractual terms of the financial asset give rise, on specified dates, to cash flows that are SPPI.

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, time deposits, receivables (including noncurrent portion of receivables from real estate buyers), advances and other receivables (included under "Other current assets" account).

Financial Assets at FVPL

Financial assets at FVPL include financial assets held for trading, financial assets designated upon initial recognition at FVPL and financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if these are acquired for the purpose of selling or repurchasing in the near term.

Derivatives, including separated embedded derivatives, are classified as held for trading unless these are designated as effective hedging instruments. Financial assets with cash flows that are not SPPI are classified and measured at FVPL, irrespective of the business model.

Financial assets at FVPL are measured at fair value. Changes in fair values are recognized in profit or loss.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative when:

- The economic characteristics and risks are not closely related to the host;
- A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and,
- The hybrid contract is not measured at FVPL.

Embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required, or a reclassification of a financial asset out of the FVPL category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at FVPL.

Financial Assets Designated at FVOCI (Equity Instruments)

Upon initial recognition, the Group can elect to irrevocably classify its equity investments as equity instruments designated at FVOCI when these meet the definition of equity under Philippine Accounting Standard (PAS) 32, *Financial Instruments: Presentation* and are not held for trading. The classification is determined at instrument level.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as income in the consolidated statements of income when the right of payment is 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's equity instruments at FVOCI include investments in shares of stock and club shares (included under "Financial assets at FVOCI" account).

Derecognition

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

- The right to receive cash flows from the asset has 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 the 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.

Modification of Financial Assets

The Group derecognizes a financial asset when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new asset, with the difference between the carrying amount and the fair value of the new asset recognized as a derecognition gain or loss in profit or loss, to the extent that an impairment loss has not already been recorded.

The Group considers both qualitative and quantitative factors in assessing whether the modification of financial asset is substantial or not. The Group considers the following factors in its assessment:

- Change in currency;
- Introduction of an equity feature;
- Change in counterparty; and
- Asset no longer qualified as SPPI.

The Group also performs a quantitative assessment similar to that being performed for modification of financial liabilities. In performing the quantitative assessment, the Group considers the new terms of a financial asset to be substantially different if the present value of the cash flows under the new terms, including any fees paid, net of any fees received and discounted using the original effective interest rate, is at least 10% different from the present value of the remaining cash flows of the original financial asset.

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the Group recalculates the gross carrying amount of the financial asset as the present value of the renegotiated or modified contractual cash flows discounted at the original EIR (or credit-adjusted EIR for purchased or originated credit-impaired financial assets) and recognizes a modification gain or loss in profit or loss.

When the modification of a financial asset results in the derecognition of the existing financial asset and the subsequent recognition of a new financial asset, the modified asset is considered a new financial asset. Accordingly, the date of the modification is considered as the date of initial recognition of that financial asset when applying the impairment requirements to the modified financial asset. The newly recognized financial asset is classified as Stage 1 for expected credit loss (ECL) measurement purposes, unless the new financial asset is deemed to be originated as credit impaired.

Impairment

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

To calculate ECLs, the Group uses the provision matrix for rent and other receivables, vintage approach for receivables from sales of real estate (billed and unbilled) and general approach (low credit risk simplification) for treasury assets.

Under the provision matrix, ECLs are calculated based on lifetime ECLs. Changes in credit risk are not tracked, instead, a loss allowance based on lifetime ECLs adjusted for forward-looking factors specific to the debtors and the economic environment is recognized.

Under the vintage approach, ECLs are calculated based on the cumulative loss rates of given real estate receivable pool. The probability of default is derived from the historical data of a homogenous portfolio that shares the same origination period. Information on the number of loan defaults for fixed time intervals is utilized to create the probability model. It allows the evaluation of the loan activity from origination period to the end of the contract period. Macroeconomic indicators such as forward-looking data on inflation rate are also considered. The probability of default is applied to the loss estimate which is the difference between the contractual cash flows due and the amount expected to be received, including the cost of repossession of the subject real estate property and other related costs. In calculating the recovery rates, collections and/or cash from the resale of foreclosed real estate properties, net of direct costs to obtain and sell the real estate properties, are considered such as commission, cost of refurbishment, payment required under Maceda law, and cost to complete for incomplete units. As these are future cash flows, these are discounted to the time of default using the appropriate effective interest rate.

The Group considers a financial asset in default when contractual payments are 120 days past due or when sales are cancelled, supported by a notarized cancellation letter. 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.

Financial Liabilities

Initial Recognition and Measurement

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

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

The Group's financial liabilities include bank loans, accounts payable and other current liabilities (excluding payable to government agencies), dividends payable presented under "Other current liabilities", long-term debt, lease liabilities and tenants' deposits and others.

Tenants' deposits pertain to security deposits received from various tenants upon inception of the respective lease contracts on the Group's investment properties. At the termination of the lease contracts, the deposits received by the Group are returned to tenants, reduced by unpaid rental fees, penalties and/or deductions from repairs of damaged leased properties, if any.

Subsequent Measurement

Loans and Borrowings

Interest-bearing loans and borrowings and other payables are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

The calculation of amortized cost considers any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as interest expense in the consolidated statements of income.

Financial liabilities at FVPL include those held for trading as well as derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are also classified as held for trading unless these are designated as effective hedging instruments. Gains and losses on liabilities held for trading are recognized in the consolidated statements of income.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled. 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 a derecognition of the original liability and a recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statements of income.

Exchange or Modification of Financial Liabilities

The Groups considers both qualitative and quantitative factors in assessing whether a modification of financial liabilities is substantial or not. The terms are considered substantially different if the present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the present value of the remaining cash flows of the original financial liability. However, under certain circumstances, modification or exchange of a financial liability may still be considered substantial, even where the present value of the cash flows under the new terms is less than 10% different from the present value of the remaining cash flows of the original financial liability. There may be situations where the modification of the financial liability is so fundamental that immediate derecognition of the original financial liability is appropriate (e.g., restructuring a financial liability to include an embedded equity component).

When the exchange or modification of the existing financial liability is not considered as substantial, the Group recalculates the gross carrying amount of the financial liability as the present value of the renegotiated or modified contractual cash flows discounted at the original EIR and recognizes a modification gain or loss in profit or loss.

If modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognized as part of the gain or loss on the extinguishment. If the modification is not accounted for as an extinguishment, any costs or fees incurred are adjusted to the carrying amount of the financial instrument and amortized over the remaining term of the modified financial instrument.

Offsetting of Financial Instruments

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

Derivative Financial Instruments and Hedge Accounting

Initial Recognition and Subsequent Measurement

The Group uses derivative financial instruments such as cross-currency swaps, foreign currency call options, interest rate swaps, options and non-deliverable forwards to hedge the risks associated with foreign currency and interest rate fluctuations. Derivative financial instruments are initially recognized at fair value on the date on which the derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment; or,
- Cash flow hedges when hedging the exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment.

A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is an economic relationship between the hedged item and the hedging instrument.
- The effect of credit risk does not dominate the value changes that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of the hedged item.

Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

Cash Flow Hedges

The effective portion of the gain or loss on the hedging instrument is recognized in OCI, while any ineffective portion is recognized immediately in the consolidated statements of income. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in the fair value of the hedged instrument.

The Group designates only the spot element of forward contracts as a hedging instrument. The forward element is recognized in OCI and accumulated in a separate component of equity under "Fair value changes on cash flow hedges and others" account.

The amounts accumulated in OCI are accounted for depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognized in OCI for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment for which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in OCI is reclassified to profit or loss as a reclassification adjustment in the same period or periods during which hedged cash flows affect profit or loss.

If hedge accounting is discontinued, the amount accumulated in OCI shall remain in accumulated OCI if the hedged future cash flows are still expected to occur. Otherwise, the amount shall be reclassified to profit or loss as a reclassification adjustment. When the hedged cash flow occurs, any amount remaining in accumulated OCI shall be accounted for depending on the nature of the underlying transaction.

Other Derivative Instruments Not Accounted for as Hedges

Certain freestanding derivative instruments that provide economic hedges under the Group's policies either do not qualify for hedge accounting or are not designated as accounting hedges. Changes in the fair value of derivative instruments not designated as hedges are recognized under "Gain (loss) from fair value changes on derivatives - net" account in the consolidated statements of income (see Note 29). Derivatives are presented as assets when the fair value is positive and as liabilities when the fair value is negative.

Merchandise Inventories

Merchandise inventories' costs are primarily determined using the weighted average method.

Current Portion of Land and Development and Condominium and Residential Units for Sale

The current portion of land and development and condominium and residential units for sale are stated at the lower of cost or net realizable value. Cost includes those costs incurred for development and improvement of the properties. Net realizable value is the selling price in the ordinary course of business less costs to complete and the estimated cost to make the sale. The current portion of land and development and condominium and residential units for sale includes properties that are constructed for sale in the ordinary course of business, rather than for rental or capital appreciation.

Cost incurred for the development and improvement of the properties includes the following:

- land cost;
- amounts paid to contractors for construction and development; and,
- planning and design, and site preparation, as well as professional fees, property transfer taxes, construction overhead and others.

Property and Equipment

Property and equipment, except land, is stated at cost less accumulated depreciation and amortization and any accumulated impairment in value. Land is stated at cost less any impairment in value.

Depreciation and amortization is calculated on a straight-line basis over the estimated useful lives of the assets, namely:

Buildings and improvements	5–25 years	
Store equipment and improvements	5–10 years	
Data processing equipment	4–8 years	
Furniture, fixtures and office equipment	3–10 years	
Machinery and equipment	2–10 years	
Leasehold improvements	5–20 years	or term of the lease, whichever is shorter
Transportation equipment	5–15 years	
Vessels in operation, excluding drydocking cost, and vessel equipment and improvements	30–35 years	
Containers and reefer vans	5–10 years	

The residual values, useful lives and method of depreciation and amortization of the assets are reviewed and adjusted, if appropriate, at the end of each reporting period. The carrying value of the assets is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Investment Properties

Investment properties, except land, are measured at cost, less accumulated depreciation and amortization and accumulated impairment in value. Land is stated at cost less any impairment in value.

Depreciation and amortization is calculated on a straight-line basis over the estimated useful lives of the assets, namely:

Land improvements	3–10 years	
Buildings and leasehold improvements	5–40 years	or term of the lease, whichever is shorter
Building equipment, furniture and others	3–15 years	

The residual values, useful lives and method of depreciation and amortization of the assets are reviewed and adjusted, if appropriate, at the end of each reporting period.

Transfers are made from investment properties to inventories when there is a change in use of subject property, supported by an approved plan to construct and develop condominium and residential units for sale. Transfers are made from inventories to investment properties when there is a change in use of subject property, supported by an operating lease agreement, or, change in plan to develop subject property into residential projects for sale. Such transfers shall be accounted based on the carrying value at the time of transfer.

In case of change from investment properties to property and equipment (when used by the Group for its own use) and vice versa, the transfer shall be accounted based on the carrying value at the time of change in use.

Construction in Progress

Construction in progress under property and equipment and investment property represents structures under construction and is stated at cost. This includes cost of construction and other direct costs. Cost also includes interest on borrowed funds incurred during the construction period. Construction in progress is not depreciated.

Property Acquisitions, Business Combinations and Acquisitions of Non-controlling Interests

Property Acquisitions and Business Combinations. When property is acquired through corporate acquisitions or otherwise, management considers the substance of the assets and activities of the acquired entity in determining whether the acquisition represents an acquisition of a business.

When such an acquisition is not judged to be an acquisition of a business, it is not treated as a business combination. Rather, the cost to acquire the entity is allocated between the identifiable assets and liabilities of the entity based on their relative fair values at acquisition date. Accordingly, no goodwill or additional deferred tax arises.

Business combinations are accounted for using the acquisition method except for business combinations under common control in which an accounting similar to pooling of interest method is used. Business combinations under common control are those in which all of the combining entities or businesses are controlled by the same party or parties both before and after the business combination, and that control is not transitory. Under 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. Transaction costs incurred are expensed and included in "Costs and expenses" account in the consolidated statements of income.

For accounting similar to pooling of interest method, the assets, liabilities and equity of the acquired companies for the reporting period in which the common control business combinations occur, and for any comparative periods presented, are included in the consolidated financial statements of the Group at their carrying amounts as if the combinations occurred from the date when the acquired companies first became under the control of the Group. The excess of the cost of business combinations over the net carrying amounts of the assets and liabilities of the acquired companies is recognized under "Equity adjustments from common control transactions" account in the equity section of the consolidated balance sheet.

Acquisitions/Disposal of Non-controlling Interests. Changes in the Parent Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e., transactions with owners in their capacity as owners). In such circumstances, the carrying amounts of the controlling and non-controlling interests shall be adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid/received shall be recognized as equity reserve, presented as "Additional Paid-in Capital".

Goodwill

Initial Measurement of Goodwill or Gain on a Bargain Purchase. Goodwill is initially measured by the Group 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 as gain on a bargain purchase.

Subsequent Measurement of Goodwill. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Impairment Testing of Goodwill. 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), or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units. Each unit or group of units to which the goodwill is allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and,
- is not larger than an operating segment as defined in PFRS 8, Operating Segments, before aggregation.

Frequency of Impairment Testing. Irrespective of whether there is any indication of impairment, the Group tests goodwill acquired in a business combination for impairment at least annually.

Impairment of Nonfinancial Assets

The carrying value of nonfinancial assets (property and equipment, investment properties, investments in associate companies and joint ventures, right-of-use (ROU) assets, and intangibles with definite useful life and other noncurrent assets) is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists, and if the carrying value exceeds the estimated recoverable amount, the assets or CGUs are written down to their recoverable amounts. The recoverable amount of the asset is the greater of fair value less cost to sell or value in use. The fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable and willing parties, less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs. Impairment losses are recognized in the consolidated statements of income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment loss may no longer exist or may have decreased. In such a case, the recoverable amount is estimated. Any previously recognized impairment loss is reversed only when there is a change in estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. Accordingly, the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized in prior years. Such reversal is recognized in the consolidated statements of income. After such a reversal, the depreciation or amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Revenue and Cost Recognition

Revenue from contracts with customers is recognized when control of the goods or services is 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 assesses its revenue arrangements against specific criteria to determine if it is acting as a principal or as an agent. The Group has concluded that it is acting as principal in majority of its revenue arrangements. The following specific recognition criteria shall be met before revenue is recognized:

Sale of Merchandise Inventories. Revenue from sale of goods is recognized when the transfer of control is turned over to the buyer and the performance obligation is satisfied. The performance obligation is generally satisfied when customers purchase the goods. Net sales, as presented in the statement of comprehensive income, is net of sales returns. Payment of the transaction price is due immediately at the point of sale.

Revenue and Cost from Sales of Real Estate. The Group derives its real estate revenue from the sale of lots, house and lot and condominium units. Revenue from the sale of these real estate under pre-completion stage is recognized over time during the construction period (or percentage of completion) since based on the terms and conditions of its contract with the buyers, the Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

In measuring the progress of its performance obligation over time, the Group uses the output method. The Group recognizes revenues based on direct measurements of the value of goods or services transferred to customers relative to the remaining value promised under the contract.

Progress is measured using surveys of performance completed, milestones reached and time elapsed. This method measures the progress of work based on the physical proportion of work done, as well as the impact of customized uninstalled materials on the real estate project, based on the monthly project accomplishment report prepared by third party engineers, as approved by the construction managers.

Any excess of progress of work over the right to an amount of consideration that is unconditional, recognized as receivables from sales of real estate, under trade receivables, is accounted for as unbilled revenue from sales of real estate and presented under "Receivables and contract assets".

Any excess of collections over the total of recognized installment real estate receivables is included in contract liabilities.

Information about the Group's performance obligation. The Group entered into contracts to sell with one identified performance obligation which is the sale of the real estate unit together with the services to transfer the title to the buyer upon full payment of contract price. The amount of consideration indicated in the contract to sell is fixed and has no variable consideration.

Payment commences upon signing of the contract to sell. The consideration is payable either in cash or financing, or a combination of both.

The financing scheme may include the payment of a certain percentage of the contract price spread over a specified period at a fixed monthly amount with the remaining balance payable in full at the end of the period either through cash or external financing.

The amortization payment schedule does not necessarily coincide with the progress of construction.

The Group has a quality assurance warranty which is not treated as a separate performance obligation.

Cost of Real Estate Sold. The Group recognizes costs relating to satisfied performance obligations as these are incurred, taking into consideration the contract fulfillment assets. Cost of real estate sold includes costs of development and construction costs, contract fulfillment assets and cost to obtain a contract. These costs are allocated to the saleable area, with the portion allocable to the sold area recognized as cost of real estate sold while the portion allocable to the unsold area recognized as part of real estate inventories. Assets include only those costs that give rise to resources that will be used in satisfying performance obligations in the future and that are expected to be recovered.

Contract Balances

Receivables. A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract Assets. Contract assets pertain to unbilled revenue from sales of real estate. This is the right to consideration that is conditional in exchange for goods or services transferred to the customer. The capitalized amount is reclassified to trade receivable from real estate buyers when the periodic amortization of the customer becomes due for collection.

Contract Liabilities. Contract liabilities pertain to unearned revenue from sales of real estate. This is the obligation to transfer goods or services to a customer for which the Group has received consideration from the customer. These also include customers' deposits related to sales of real estate. These are recognized as revenue when the Group performs the pertinent obligations under the contract.

Costs to Obtain a Contract. The costs of obtaining a contract with a customer are recognized as an asset if the Group expects recovery of these costs. The accrual of commissions paid to brokers and marketing agents on the sale of pre-completed real estate units is likewise capitalized when recovery is reasonably expected and is charged to expense in the period in which the related revenue is recognized as earned. Commission expense is included in the "Costs and expenses" account in the consolidated statements of income. Costs incurred prior to obtaining a contract with a customer are expensed as these are incurred.

Contract Fulfillment Assets. Contract fulfillment costs are divided into (i) costs that give rise to an asset; and (ii) costs that are expensed as incurred. When determining the appropriate accounting treatment for such costs, the Group considers the applicable standards. If those standards preclude capitalization of a particular cost, then an asset is not recognized under PFRS 15.

If other standards are not applicable to contract fulfillment costs, the Group applies the following criteria which if met, result in capitalization (i) costs directly relate to a contract or to a specifically identifiable anticipated contract; (ii) costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and (iii) costs are expected to be recovered. The assessment of this criteria requires the application of judgement particularly in determining whether costs generate or enhance resources to be used to satisfy future performance obligations and whether costs are expected to be recoverable.

The Group's contract fulfillment assets mainly pertain to land acquisition costs, included in Real estate inventories - Land and development (current portion) and Condominium, residential units and subdivision lots for sale.

Amortization, Derecognition and Impairment of Contract Fulfillment Assets and Capitalized Costs to Obtain a Contract. The Group amortizes contract fulfillment assets and costs capitalized to obtain a contract to cost of sales over the expected construction period using percentage of completion (POC) following the pattern of real estate revenue recognition. The amortization is included in cost of real estate sold account in the consolidated statements of income.

A contract fulfillment asset or costs capitalized to obtain a contract is derecognized when it is disposed of or when no further economic benefits are expected to flow from its use or disposal.

At each reporting date, the Group determines whether there is an indication that a contract fulfillment asset may be impaired. If such indication exists, the Group makes an estimate by comparing the carrying amount of the asset to the remaining amount of consideration that the Group expects to receive less those costs that relate to providing services under the contract. In determining the estimated amount of consideration, the Group uses the same principles as it does to determine the contract transaction price, except that any constraints used to reduce the transaction price are removed when testing for impairment.

In case the relevant costs demonstrate indicators of impairment, judgment is required in ascertaining the future economic benefits from these contracts as sufficient to recover the relevant assets.

Sales - Processed Food and Others and Sales - Food and Beverage. Revenues from sales of processed food, beverage and others are recognized when the transfer of control is turned over to the buyer and the performance obligation is satisfied. The performance obligation is generally satisfied when customers purchase the goods and/or delivery is made to customers, as in the case of steam, processed food and beverage. Payment of the transaction price is due immediately at the point of sale and/or within 15 to 30 days.

Shipping and Logistics Revenues. Revenues from shipping and logistics services are recognized when rendered and/or when export/import cargoes are received by the shipper or consignee. Shipping revenues include fees for ancillary services such as wharfage, arrastre, stevedoring and other related services.

Rent. Revenues are recognized on a straight-line basis over the lease term or based on the terms of the lease as applicable. Contingent rent is recognized as revenue in the period in which it is earned.

Sale of Cinema and Event Tickets. Revenues are recognized upon receipt of cash from the customers which coincides with the rendering of services.

Gain on Sale of Investments in Associate Companies and Joint Ventures and Financial Assets. Revenues are recognized upon delivery of the securities to and confirmation of the sale by the broker.

Dividends. Revenues are recognized when the Group's right as a shareholder to receive payment is established.

Royalty and Service Fees. Revenues and/or expenses are recognized when earned and/or incurred, in accordance with the terms of the agreements.

Interest. Revenues are recognized when interest accrues, considering the effective yield.

Costs and expenses. Costs and expenses are recognized as incurred.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. 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 interest expense. Where the Group expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the receipt of the reimbursement is virtually certain. Any subsequent reversal of the provision is recognized in the same line item in profit or loss where the expense was initially recognized.

Taxes

Current Income 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 tax rates and tax laws used to compute the tax amounts are those that are enacted or substantively enacted as at the end of the reporting period.

Deferred Income Tax. Deferred income tax is set up based on the liability method and considering the temporary differences between the tax base of assets and liabilities and the corresponding carrying amounts at each reporting period.

Deferred tax assets are recognized for all deductible temporary differences and carryforward benefits of excess Minimum Corporate Income Tax (MCIT) over Regular Corporate Income Tax (RCIT) and Net Operating Loss Carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carryforward benefits of excess MCIT over RCIT and NOLCO can be utilized, except:

- where 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,
- with respect to deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures wherein 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 the end of each reporting period 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 income tax assets to be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that the future taxable profit will allow the deferred tax assets to be recovered.

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

Income tax relating to items recognized directly in the consolidated statement of comprehensive income is recognized in the consolidated statement of comprehensive income and not in the consolidated statements of income.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to offset current tax assets against current tax liabilities and/or the deferred taxes relate to the same taxable entity and the same taxation authority.

Value-added Tax (VAT). Revenues, expenses and assets are recognized net of the amount of VAT, except:

- where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and,
- for receivables and payables that are stated with the amount of tax included.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of "Other current assets" or "Accounts payable and other current liabilities" accounts in the consolidated balance sheet.

Basic/Diluted Earnings Per Common Share (EPS)

Basic EPS is computed by dividing the net income attributable to owners of the Parent for the period by the weighted average number of issued and outstanding common shares for the period, with retroactive adjustment for any stock dividends declared.

For the purpose of computing diluted EPS, the net income for the period attributable to owners of the Parent and the weighted-average number of issued and outstanding common shares are adjusted for the effects of all potential dilutive ordinary shares.

Events after the Reporting Period

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

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective in 2024. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

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

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

The amendments clarify paragraphs 69 to 76 of PAS 1, *Presentation of Financial Statements*, to specify the requirements for classifying liabilities as current or noncurrent. 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; and
- 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.

- Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback*

The amendments specify how a seller-lessee measures the lease liability arising in a sale and leaseback transaction such that the gain or loss that relates to the right of use retained is not recognized.

- Amendments to PAS 7 and PFRS 7, *Disclosures: Supplier Finance Arrangements*

The amendments specify disclosure requirements which are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on liabilities, cash flows and exposure to liquidity risk.

Future Changes in Accounting Policies and Disclosures

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

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*
- Amendments to PAS 21, *Lack of exchangeability*

Effective beginning on or after January 1, 2026

- Amendments to PFRS 9 and PFRS 7, *Classification and Measurement of Financial Instruments*

The amendments include:

- A clarification that a financial liability is derecognized on 'settlement date' and introduce an accounting policy choice to derecognize settled financial liabilities using an electronic payment system before the settlement date.
- Guidance on the assessment of contingent features in order to classify financial assets with environmental, social and governance-linked features. The criteria 'solely payments of principal and interest' may still be met provided that the contingent feature gives rise to contractual cash flows that are consistent with a basic lending arrangement both before and after the change and that are not 'significantly different' from the cash flows for an identical financial asset without such a contingent feature.
- A clarification that a financial asset has non-recourse features provided the creditor's contractual right to receive cash flows is limited to the cash flows generated by specified assets. Contractually linked instruments can arise in non-recourse structures.

The amendments are effective on or after January 1, 2026 to be applied retrospectively, with early adoption permitted.

- Annual Improvements to PFRS Accounting Standards - Volume 11

The amendments are limited to changes that either clarify the wording in an Accounting Standard or correct relatively minor unintended consequences, oversight or conflicts between the requirements in the Accounting Standards. The following is the summary of the Standards involved and their related amendments.

- Amendments to PFRS 1, *Hedge Accounting by a First-time Adopter*

The amendments included in paragraphs B5 and B6 of PFRS 1 cross references to the qualifying criteria for hedge accounting in paragraph 6.4.1(a), (b) and (c) of PFRS 9. These are intended to address potential confusion arising from an inconsistency between the wording in PFRS 1 and the requirements for hedge accounting in PFRS 9.

- Amendments to PFRS 7, *Gain or Loss on Derecognition*

The amendments updated the language of paragraph B38 of PFRS 7 on unobservable inputs and included a cross reference to paragraphs 72 and 73 of PFRS 13.

- Amendments to PFRS 9

- a. Lessee Derecognition of Lease Liabilities

The amendments to paragraph 2.1 of PFRS 9 clarified that when a lessee has determined that a lease liability has been extinguished in accordance with PFRS 9, the lessee is required to apply paragraph 3.3.3 and recognize any resulting gain or loss in profit or loss.

b. Transaction Price

The amendments to paragraph 5.1.3 of PFRS 9 replaced the reference to 'transaction price as defined by PFRS 15 *Revenue from Contracts with Customers*' with 'the amount determined by applying PFRS 15'. The term 'transaction price' in relation to PFRS 15 was potentially confusing and so it has been removed. The term was also deleted from Appendix A of PFRS 9.

- Amendments to PFRS 10, *Determination of a 'De Facto Agent'*

The amendments to paragraph B74 of PFRS 10 clarified that the relationship described in B74 is just one example of various relationships that might exist between the investor and other parties acting as de facto agents of the investor.

- Amendments to PAS 7, *Cost Method*

The amendments to paragraph 37 of PAS 7 replaced the term 'cost method' with 'at cost', following the prior deletion of the definition of 'cost method'.

Effective beginning on or after January 1, 2027

- PFRS 18, *Presentation and Disclosure in Financial Statements*

PFRS 18 replaces PAS 1 and responds to investors' demand for better information about the financial performance of corporate entities. Some of the new requirements include:

- Totals, subtotals and new categories in the statement of profit or loss. An entity will be required to assess whether it has a 'specified main business activity' of investing in assets or providing finance to customers, as there are specific requirements for such entities.
- Disclosure of management-defined performance measures or 'MPMs' which are subtotals of income and expenses that an entity uses in public communications outside financial statements, to communicate management's view of an aspect of the financial performance of the entity as a whole.
- Guidance on aggregation and disaggregation within the primary financial statements and in the notes to financial statements.

The new standard is effective for annual periods beginning on or after January 1, 2027, with early adoption permitted.

Deferred effectivity

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

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

On January 13, 2016, the FSRSC 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.

4. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. These judgments, estimates and assumptions are based on management's evaluation of relevant facts and circumstances as at the reporting date.

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:

Existence of a Contract. The Group's primary document for a contract with a customer is a signed contract to sell or the combination of its other signed documentation such as reservation agreement, official receipts, quotation sheets and other documents, which contain the criteria to qualify as a contract with the customer under PFRS 15, *Revenue from Contracts with Customers*.

In addition, the Group performs an assessment of the probability of collection of the consideration which it is entitled to, in exchange of the subject real estate property. This assessment considers the significance of the customer's initial payments in relation to the contract price.

Revenue Recognition Method and Measure of Progress. The Group recognizes revenue for real estate sales over time in consideration of the following (a) the Group's performance does not create an asset with an alternative use, and; (b) the Group has an enforceable right for performance completed to date. The promised property is specifically identified in the contract and the contractual restriction on the Group's ability to direct the promised property for another use is substantive. The property promised to the customer is not interchangeable with other properties without breaching the contract and without incurring significant costs that otherwise would not have been incurred. In addition, under the current legal framework, the customer is contractually obliged to make payments to the Group for performance completed to date.

The Group has determined that the output method used in measuring the progress of the performance obligation faithfully depicts the Group's performance in transferring control of real estate development to the customers. The Group determined that in the case of customized materials, the Group is not just providing a simple procurement service to the customer as it is significantly involved in the design and details of the manufacture of the materials.

Determining the Transaction Price for Sales of Real Estate. The Group determines whether a contract contains a significant financing component using the portfolio approach by considering (1) the difference between the amount of promised consideration and the cash selling price of the promised goods or services; and (2) the expected length of time from when the entity transfers the promised goods or services to the time the customer pays for those goods or services at the prevailing effective interest rate. The Group applied the practical expedient and did not adjust for the effect of financing component when the difference between the time of transfer of the promised goods or services to the time the customer pays for these goods or services is one year or less. The Group determined that its contracts for the sale of real estate do not contain a significant financing component.

Property Acquisitions and Business Combinations. At the time of acquisition, the Group considers whether the acquisition represents an acquisition of a business or a group of assets and liabilities. The Group accounts for an acquisition as a business combination if it acquires an integrated set of business processes in addition to the real estate property. The consideration is made to the extent that the significant business processes are acquired and the additional services are to be provided by the subsidiary. When the acquisition of subsidiary does not constitute a business, it is accounted for as an acquisition of a group of assets and liabilities. The purchase price of the acquisition is allocated to the assets and liabilities acquired based upon their relative fair values at the date of acquisition. No goodwill or deferred tax is recognized.

Consignment Arrangements on Retail Segment. The retail segment of the Group has various consignment arrangements with suppliers. Management has determined that it is acting as principal in these sales transactions. Accordingly, revenue is recognized at gross amount upon actual sale to customers. The related inventory stocks supplied under these arrangements only become due and payable to suppliers when sold.

Operating Lease Commitments - Group as Lessor. Management has determined that the Group retains all the significant risks and rewards of ownership of the properties and thus, accounts for the contracts as operating leases. The ownership of the asset is not transferred to the lessee by the end of the lease term, the lessee has no option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option is exercisable, and the lease term is not for the major part of the asset's economic life.

Determination of Lease Term of Contracts with Renewal and Termination Options - Group as Lessee. The Group has several lease contracts that include extension and termination options. The Group applies judgment in evaluating the certainty or possibility of exercising the option to renew or terminate lease contracts. The Group considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination option. After the commencement date, the Group reassesses the lease term for any significant event or change in circumstances that is within its control and affects its ability to exercise the option to renew or to terminate the lease contract (e.g., construction of significant leasehold improvements or significant customization to the leased asset). In most cases, the Group exercises its option to renew.

Assessing Significant Influence over Associates. Management assessed that the Group has significant influence over all its associates by virtue of the Group's more than 20% voting power in the investee, representation in the board of directors, and participation in policy-making processes of the associates.

Assessing Joint Control of an Arrangement and the Type of Arrangement. The Group has 25% ownership in Waltermart Mall. Management assessed that the Group has joint control of Waltermart Mall by virtue of a contractual agreement with other shareholders. Waltermart Mall is a joint venture arrangement as it is a separate legal entity and its stockholders have rights to its net assets.

Assessing of Control or Significant Influence over Investees

SM Prime. The Group has 50% ownership interest in SM Prime. Management assessed that the Group has control of SM Prime as it holds significantly more voting rights than any other vote holder or organized group of vote holders, and the other shareholdings are widely dispersed giving the Group the power to direct relevant activities of SM Prime.

BDO Unibank, Inc. (BDO). The Group has 45% ownership interest in BDO. Management assessed that the Group does not have control of BDO as the Group's aggregate voting rights is not sufficient to give it power to direct the relevant activities of BDO (see Note 13).

Determining Taxable Profit, Tax Bases, Unused Tax Losses, Unused Tax Credits and Tax Rates. Upon adoption of the Philippine Interpretation on IFRIC-23, Uncertainty over Income Tax Treatments, the Group has assessed whether it has any uncertain tax position. The Group applies significant judgment in identifying uncertainties over its income tax treatments. The Group determined based on its assessment, in consultation with its tax counsel, that it is probable that its income tax treatments (including those for its subsidiaries) will be accepted by the taxation authorities.

Estimates and Assumptions

The key assumptions concerning the future and other sources of estimation uncertainty at the reporting date that pose a significant risk of causing material adjustments to the carrying amounts of assets and liabilities in the succeeding years are discussed below.

Net Realizable Value of Merchandise Inventories, Condominium and Residential Units for Sale, and Land and Development. The Group recognizes an allowance for impairment of value of merchandise inventories, condominium and residential units for sale, and land and development to value these assets at net realizable value. Impairment may be due to damage, physical deterioration, obsolescence, changes in price levels or other causes. See Note 11 for related balances.

The estimate of net realizable value is based on the most reliable evidence of the realizable value of the assets, available at the time the estimate is made. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after the reporting date to the extent that such events confirm conditions existing at the reporting date.

The allowance account is reviewed on a regular basis. In 2024, 2023 and 2022, the Group assessed that the net realizable value of merchandise inventories, condominium and residential units for sale and land and land development is higher than aggregate cost, hence, the Group did not recognize any impairment loss.

Impairment of Investments in Associate Companies and Joint Ventures. Impairment review of investments in associate companies and joint ventures is performed when events or changes in circumstances indicate that the carrying value may not be recoverable. This requires management to make an estimate of the expected future cash flows from the investments using key assumptions such as growth rates, gross margins, projected earnings before interest and taxes, effective tax rates, non-cash charges, net working capital changes, capital expenditures and others and to choose a suitable discount rate in order to calculate the present value of those cash flows. See Note 13 for related balances.

Impairment of Goodwill and Trademarks and Brand Names with Indefinite Useful Lives. Impairment exists when the carrying value of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. Fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculations is based on a discounted cash flow model. The cash flows are derived from the forecast for the relevant period and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the assets. The recoverable amount is most sensitive to the pre-tax discount rates used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. See Note 16 for related balances.

Impairment of Other Nonfinancial Assets. The Group assesses at each reporting date whether there is an indication that an item of property and equipment, investment properties and ROU assets may be impaired. This assessment requires the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets. Future events could cause the Group to conclude that these assets are impaired. Any resulting impairment loss could have a material impact on the financial position and performance of the Group.

The preparation of the estimated future cash flows involves judgment and estimations. While the Group believes that its assumptions are appropriate and reasonable, significant changes in these assumptions may materially affect the Group's assessment of recoverable values and may lead to future additional impairment charges. There is no impairment on other nonfinancial assets for each of the three years in the period ended December 31, 2024. See Notes 14, 15 and 27 for related balances.

Purchase Price Allocation in Business Combinations. The acquisition method requires extensive use of accounting estimates and judgments to allocate the purchase price to the fair market values of the acquiree's identifiable assets and liabilities at acquisition date. It also requires the acquirer to recognize goodwill. The Group's acquisitions have resulted in goodwill and separate recognition of trademarks and brand names. In estimating the fair value of the acquiree's identifiable assets and liabilities, the Group used judgments, valuation methods and key assumptions such as the list prices, current replacement and reproduction cost and adjustment factors by reference to relevant market data. See Note 5 for related balances.

Fair Value of Previously Held Interest in an Acquiree. A business combination that is achieved in stages requires the Group to remeasure its previously held interest in the acquiree at its fair value at acquisition date and recognize any resulting gain or loss in profit or loss. The determination of fair value of the previously held interest involves judgment, estimations and assumptions. See Note 5 for related balances.

Realizability of Deferred Tax Assets. The carrying amount of deferred tax assets is reviewed at the end of each reporting period 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. The Group's assessment on the recognition of deferred tax assets on deductible temporary differences and carryforward benefits of excess MCIT and NOLCO is based on the projected taxable income in future periods. Based on the projection, not all deductible temporary differences and carryforward benefits of excess MCIT and NOLCO will be realized. Accordingly, only a portion of the Group's deferred tax assets is recognized. See Note 26 for related balances.

Present Value of Defined Benefit Obligation. The present value of the pension obligations depends on a number of factors including assumptions of discount rate and rate of salary increase, among others.

The Group determines the appropriate discount rate at the reporting date. In determining the discount rate, the Group considers the interest rates on government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability. Other key assumptions for pension obligations are based on current market conditions. Management believes that the assumptions used are reasonable and appropriate. However, significant differences in actual experience or significant changes in assumptions would materially affect the Group's pension and other pension obligations. See Note 25 for related balances.

Fair Value of Financial Assets and Liabilities. The significant components of fair value measurement were determined using verifiable objective evidence (i.e., foreign exchange rates, interest rates and volatility rates). The amount of changes in fair value would differ if the Group utilized different valuation methodologies and assumptions. Any changes in the fair value of these financial assets and liabilities would directly affect profit or loss and OCI. See Note 29 for related balances.

Valuation of Unquoted Equity Investments. Valuation of unquoted equity investments is normally based on one of the following:

- recent arm's-length market transactions;
- current fair value of other instruments that is substantially the same;
- the expected cash flows discounted at current rates applicable for investments with similar terms and risk characteristics; or,
- other valuation models.

The determination of cash flows and discount factors for unquoted equity investments requires significant estimation. In valuing the Group's financial assets at FVOCI at fair value in compliance with PFRS 9, management applied judgement in selecting the valuation technique and used assumptions in estimating future cash flows from its equity instruments considering the information available to the Group. See Note 29 for related balances.

Leases – Estimating the Incremental Borrowing Rate. The Group cannot readily determine the interest rate implicit in the lease, therefore, it used its IBR to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the ROU asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating). See Note 27 for related balances.

Contingencies. The Group is involved in certain legal and administrative proceedings. The Group, in collaboration with outside legal counsel handling defense, as the case may be, does not believe that these proceedings will have a material adverse effect on its financial position and performance. It is possible, however, that future financial performance could be materially affected by changes in the estimates or in the effectiveness of strategies relating to these proceedings. No accruals were made in relation to these proceedings.

5. Business Combination

SM Retail Common Control Business Acquisition. In December 2024, SM Retail acquired 80% of the outstanding common stock of SM Guam, Inc. (SM Guam). The acquisition of SM Guam was considered as a business reorganization of companies under common control. Thus, the pooling of interests method was applied in the preparation of the consolidated financial statements. Prior period financial statements were not restated due to immateriality.

Allfirst Equity Holdings, Inc. (Allfirst). In April 2022, the BOD and stockholders of the Parent Company approved its merger with Allfirst, a related party, with the Parent Company as the surviving entity. Allfirst is the holding company for Philippine Geothermal Production Company, Inc. (PGPC).

PGPC operates the Tiwi and Mak-Ban steam fields. Tiwi is the first commercial-scale geothermal steam field development in Southeast Asia, followed by Mak-Ban, both in operation since 1979. These two steam fields generate geothermal steam sufficient to produce approximately 300 MW of electricity. In addition to its two producing steam fields, PGPC has several other greenfield concession areas for geothermal steam production which it will develop moving forward.

In August 2022, SMIC received approval from the SEC for its acquisition of 81% stake of related parties in Allfirst. This transaction brings SMIC's ownership in PGPC to 100%. The Parent Company and Allfirst are under the common control of the Sy Family before and after the merger. Thus, the merger was considered as a combination of businesses under common control for which the pooling of interests method was applied in the preparation of the financial statements.

Under the pooling of interests method:

- The assets and liabilities of the combining entities are reflected at their carrying amounts;
- No adjustments are made to reflect fair values, or recognize any new assets or liabilities at the date of the combination except those necessary to harmonize accounting policies between the combining entities;
- No 'new' goodwill is recognized as a result of the business combination;
- Any difference between the consideration transferred and the net assets acquired is reflected within equity;
- The consolidated statements of income in the year of acquisition reflects the results of the combining entities for the full year, irrespective of when the combination took place; and
- Comparatives are presented as if the entities had always been combined only for the period that the entities were under common control.

AIC Group of Companies Holding Corp. (Airspeed). In August 2022, the Parent Company acquired additional 10.0 million common shares of Airspeed increasing its equity interest in Airspeed to 51.0% from 35.0% previously. Airspeed is primarily engaged in international and domestic freight forwarding, port to port and cargo handling, packing and crafting, and warehousing services.

Beginning September 1, 2022, Airspeed became a subsidiary of SMIC in accordance with PFRS 3, Business Combinations. The transaction was accounted for as a step acquisition.

The fair value of the net identifiable assets acquired amounted to ₱645.1 million. The cash flows from this acquisition follow:

	Fair Value (In Thousands)
Cash acquired	₱317,280
Purchase consideration transferred	(405,888)
<u>Net</u>	<u>(₱88,608)</u>

Goodwill of ₱302.7 million was recognized for this acquisition, representing the value of synergies expected to arise from the business combination.

From the date of acquisition, Airspeed's revenues and net income amounting to ₱461.7 million and ₱34.9 million, respectively, formed part of the consolidated statements of income. If the combination had taken place at the beginning of the year, the Group's consolidated revenues and net income attributable to parent would have been ₱554.8 billion and ₱61.7 billion, respectively.

The Group remeasured its previously held interest in AIC at acquisition-date fair value.

Included in Costs and expenses is the remeasurement loss recognized for AIC at ₱310.2 million in 2022, representing the loss from remeasuring the Group's equity interest in AIC before the business combination to fair value, in accordance with PFRS 3, *Business Combinations*.

6. Segment Information

The Group has identified four reportable operating segments as follows: property, retail, banking and portfolio investments.

The property segment is involved in the operation of malls, hotels and convention centers; leasing of commercial spaces; and, development of integrated communities that include residential, lifestyle and retail, commercial, and leisure properties.

The retail segment is engaged in the retail/wholesale trading of merchandise such as dry goods, wearing apparels, food and other merchandise.

The banking segment includes the Group's equity in net earnings in BDO and China Banking Corporation (China Bank).

The portfolio investments segment includes 2GO, PGPC, Neo subsidiaries and associates, Atlas Consolidated Mining and Development Corporation (Atlas), Belle Corporation (Belle), GBI and others.

The BOD monitors the operating results of each of its business units 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 the operating profit or loss in the consolidated financial statements.

Operating Results by Segment

	Year Ended December 31, 2024						
	Property	Retail	Banking	Portfolio	Others	Eliminations	Consolidated
				Investments			
<i>(In Thousands)</i>							
Revenues:							
External customers	₱131,939,722	₱433,258,500	₱43,904,797	₱42,922,344	₱2,751,635	₱-	₱654,776,998
Revenues from contracts with customers	45,910,195	421,756,981	-	-	-	-	467,667,176
Merchandise sales	-	421,756,981	-	-	-	-	421,756,981
Real estate sales	45,910,195	-	-	-	-	-	45,910,195
Rent	64,068,789	1,447,761	-	2,447,092	2,073	-	67,965,715
Equity in net earnings of associate companies and joint ventures	2,043,009	2,606,732	43,904,797	1,375,699	71,567	-	50,001,804
Others	19,917,729	7,447,026	-	39,099,553	2,677,995	-	69,142,303
Inter-segment	16,170,496	670,059	-	635,377	4,734,833	(22,210,765)	-
	₱148,110,218	₱433,928,559	₱43,904,797	₱43,557,721	₱7,486,468	(₱22,210,765)	₱654,776,998
Segment results:							
Income before income tax	₱57,313,611	₱29,192,517	₱43,904,797	₱7,759,901	(₱5,259,544)	₱-	₱132,911,282
Provision for income tax	10,712,677	6,568,899	-	739,330	237,470	-	18,258,376
Net income after tax	₱46,600,934	₱22,623,618	₱43,904,797	₱7,020,571	(₱5,497,014)	₱-	₱114,652,906
Net income attributable to:							
Owners of the Parent	₱23,137,540	₱15,773,266	₱42,705,586	₱6,456,963	(₱5,464,648)	₱-	₱82,608,707
Non-controlling interests	23,463,394	6,850,352	1,199,211	563,608	(32,366)	-	32,044,199
Year Ended December 31, 2023							
	Property	Retail	Banking	Portfolio	Others	Eliminations	Consolidated
				Investments			
<i>(In Thousands)</i>							
Revenues:							
External customers	₱119,003,867	₱413,996,266	₱39,267,571	₱41,828,015	₱2,156,168	₱-	₱616,251,887
Revenues from contracts with customers	42,124,088	401,725,529	-	-	-	-	443,849,617
Merchandise sales	-	401,725,529	-	-	-	-	401,725,529
Real estate sales	42,124,088	-	-	-	-	-	42,124,088
Rent	58,103,708	1,267,910	-	2,413,124	-	-	61,784,742
Equity in net earnings of associate companies and joint ventures	2,162,611	1,942,814	39,267,571	1,636,117	(64,000)	-	44,945,113
Others	16,613,460	9,060,013	-	37,778,774	2,220,168	-	65,672,415
Inter-segment	15,552,645	606,204	-	689,550	4,424,419	(21,272,818)	-
	₱134,556,512	₱414,602,470	₱39,267,571	₱42,517,565	₱6,580,587	(₱21,272,818)	₱616,251,887
Segment results:							
Income before income tax	₱50,336,108	₱28,751,653	₱39,267,571	₱9,082,093	(₱4,620,219)	₱-	₱122,817,206
Provision for income tax	9,015,084	6,685,451	-	800,769	130,839	-	16,632,143
Net income after tax	₱41,321,024	₱22,066,202	₱39,267,571	₱8,281,324	(₱4,751,058)	₱-	₱106,185,063
Net income attributable to:							
Owners of the Parent	₱20,506,629	₱15,267,128	₱38,193,589	₱7,752,065	(₱4,730,368)	₱-	₱76,989,043
Non-controlling interests	20,814,395	6,799,074	1,073,982	529,259	(20,690)	-	29,196,020
Year Ended December 31, 2022							
	Property	Retail	Banking	Portfolio	Others	Eliminations	Consolidated
				Investments			
<i>(In Thousands)</i>							
Revenues:							
External customers	₱98,244,792	₱377,327,567	₱30,984,018	₱43,677,737	₱2,764,464	₱-	₱552,998,578
Revenues from contracts with customers	39,046,514	367,318,577	-	-	-	-	406,365,091
Merchandise sales	-	367,318,577	-	-	-	-	367,318,577
Real estate sales	39,046,514	-	-	-	-	-	39,046,514
Rent	45,918,158	1,146,228	-	2,103,179	-	-	49,167,565
Equity in net earnings of associate companies and joint ventures	1,720,116	1,224,260	30,984,018	1,866,350	30,990	-	35,825,734
Others	11,560,004	7,638,502	-	39,708,208	2,733,474	-	61,640,188
Inter-segment	13,611,294	483,551	-	634,029	3,999,125	(18,727,999)	-
	₱111,856,086	₱377,811,118	₱30,984,018	₱44,311,766	₱6,763,589	(₱18,727,999)	₱552,998,578
Segment results:							
Income before income tax	₱39,061,734	₱25,928,619	₱30,984,018	₱8,218,200	(₱5,052,378)	₱-	₱99,140,193
Provision for income tax	8,001,682	6,006,064	-	681,419	105,655	-	14,794,820
Net income after tax	₱31,060,052	₱19,922,555	₱30,984,018	₱7,536,781	(₱5,158,033)	₱-	₱84,345,373
Net income attributable to:							
Owners of the Parent	₱15,372,433	₱13,937,923	₱30,148,855	₱7,345,911	(₱5,151,457)	₱-	₱61,653,665
Non-controlling interests	15,687,619	5,984,632	835,163	190,870	(6,576)	-	22,691,708

In 2024, 2023 and 2022, no single customer accounted for 10% or more of consolidated revenues. The Group's revenues are substantially earned within the Philippines.

The disaggregation of revenues is as indicated in the consolidated statements of income and in the operating results by segment report above.

7. Cash and Cash Equivalents

This account consists of:

	2024	2023
	<i>(In Thousands)</i>	
Cash on hand and in banks (Note 21)	₱30,550,319	₱22,918,721
Temporary investments (Note 21)	81,977,728	80,826,837
	₱112,528,047	₱103,745,558

Cash in banks and investments earn interest at the prevailing rates. The tenure of temporary investments varies depending on the immediate cash requirements of the Group (see Note 24).

8. Time Deposits

This account consists of:

	2024	2023
	<i>(In Thousands)</i>	
Current	₱221,096	₱602,466
Noncurrent	3,113,470	22,324,681
	₱3,334,566	₱22,927,147

The time deposits bear interest ranging from 2.0% to 5.5% in 2024 and 0.1% to 6.1% in 2023.

Time deposits with various maturities within one year were used as collateral for some credit lines.

Interest earned from time deposits is disclosed in Note 24.

9. Financial Assets at FVOCI

This account consists of:

	2024	2023
	<i>(In Thousands)</i>	
Shares of stock		
Listed	₱24,027,269	₱25,505,874
Unlisted	3,100,303	1,534,894
Club shares	28,650	24,850
	27,156,222	27,065,618
Less current portion	794,433	747,840
Noncurrent portion	₱26,361,789	₱26,317,778

Financial assets at FVOCI pertain to equity investments in shares of stock and club shares which are not held for trading and which the Group has irrevocably designated as financial assets at FVOCI, as the Group considers these investments to be strategic in nature.

10. Receivables and Contract Assets

This account consists of:

	2024	2023
	<i>(In Thousands)</i>	
Trade:		
Real estate buyers*	₱152,501,732	₱132,187,696
Third-party tenants	11,844,430	10,714,323
Shipping and logistics**	3,360,120	2,753,168
Related party tenants (Note 21)	586,247	533,448
Others	2,920,532	2,922,100
Royalty and service fees (Note 21)	2,205,401	2,980,499
Dividends (Note 21)	1,269,818	1,003,114
	174,688,280	153,094,348
Less allowance for ECL	3,355,289	3,284,523
	171,332,991	149,809,825
Less noncurrent portion of receivables from real estate buyers (Note 16)	79,064,021	70,600,303
Current portion	₱92,268,970	₱79,209,522

* Includes unbilled revenue from sales of real estate of ₱133.5 billion and ₱114.9 billion as at December 31, 2024 and 2023, respectively.

** Includes contract assets representing shipping and logistics services delivered but not yet invoiced of ₱799.7 million and ₱616.8 million as at December 31, 2024 and 2023, respectively.

The terms and conditions of these receivables follow:

- Receivables from sales of real estate, billed and unbilled, pertain mostly to sale of condominium and residential units at various terms of payment, and may or may not be subject to interest. Portions of these receivables have been assigned to local banks: on without recourse basis, ₱7.0 billion and ₱4.1 billion as at December 31, 2024 and 2023, respectively (Note 21), and on with recourse basis, nil and ₱0.2 billion as at December 31, 2024 and 2023, respectively. The corresponding liability from the assignment of receivables with recourse bears interest at 5.0% to 6.5% per annum as at December 31, 2023.

The transaction price allocated to the remaining performance obligations totaling ₱41.5 billion and ₱38.1 billion as at December 31, 2024 and 2023, respectively, are expected to be recognized over the construction period ranging from one to five years.

- Trade receivables from tenants, shipping and logistics, royalty and service fee receivables are not subject to interest and are normally collectible within 30 days to one year.
- Dividends receivables are not subject to interest and are normally collectible within the next financial year.

Allowance for ECL is provided for receivables from sales of real estate, receivables from tenants, shipping and logistics, and other receivables which were identified to be impaired based on specific and collective assessment. The movements in this account follow:

	2024	2023
	<i>(In Thousands)</i>	
Balance at beginning of year	₱3,284,523	₱3,031,584
Provisions - net of writeoff (Note 23)	70,766	252,939
Balance at end of year	₱3,355,289	₱3,284,523

No allowance for ECL has been provided for unbilled revenue from sales of real estate as at December 31, 2024 and 2023.

The aging of receivables and contract assets follows:

	2024	2023
	<i>(In Thousands)</i>	
Neither past due nor impaired	₱160,076,284	₱138,195,908
Past due but not impaired:		
Less than 30 days	3,653,134	3,804,623
31-90 days	2,731,711	3,299,648
91-120 days	1,804,209	1,197,760
Over 120 days	3,067,653	3,311,886
Impaired	3,355,289	3,284,523
	₱174,688,280	₱153,094,348

Receivables other than those identified as impaired, are assessed as good and collectible.

11. Inventories

This account consists of:

	2024	2023
	<i>(In Thousands)</i>	
Real estate inventories	₱76,932,923	₱77,892,908
Merchandise inventories	41,998,432	38,869,576
Processed food and others	744,755	712,496
	₱119,676,110	₱117,474,980

Inventories are stated at cost as at December 31, 2024 and 2023.

Real Estate Inventories

The movements in this account follow:

	Land and Development	Condominium, Residential Units and Subdivision Lots for Sale	Total
	<i>(In Thousands)</i>		
Balance as at January 1, 2023	₱43,780,861	₱26,725,642	₱70,506,503
Development cost incurred	22,141,007	-	22,141,007
Cost of real estate sold	(13,166,921)	(3,494,522)	(16,661,443)
Transfers	(1,902,929)	1,902,929	-
Reclassifications (Notes 15 and 27)	1,807,712	-	1,807,712
Translation adjustment and others	98,608	521	99,129
Balance as at December 31, 2023	52,758,338	25,134,570	77,892,908
Development cost incurred	17,918,601	103,948	18,022,549
Cost of real estate sold	(11,962,498)	(7,178,085)	(19,140,583)
Transfers	(3,074,344)	3,074,344	-
Translation adjustment and others	142,698	15,351	158,049
Balance as at December 31, 2024	₱55,782,795	₱21,150,128	₱76,932,923

Real estate inventories include land and development, and condominium, residential units and subdivision lots for sale.

Contract fulfillment assets included in land and development represent the unamortized portion of land cost of ₱2.0 billion and ₱1.8 billion as at December 31, 2024 and 2023, respectively.

The estimated cost to complete the projects amounted to ₱107.9 billion and ₱103.6 billion as at December 31, 2024 and 2023, respectively.

Merchandise Inventories

The movements in this account follow:

	2024	2023
	(In Thousands)	
Balance at beginning of year	₱38,869,576	₱34,653,094
Purchases	309,314,974	298,618,735
Total goods available for sale	348,184,550	333,271,829
Less cost of merchandise sales	306,186,118	294,402,253
Balance at end of year	₱41,998,432	₱38,869,576

There is no allowance for inventory write-down as at December 31, 2024 and 2023.

The details of cost of sales and services follow:

	2024	2023	2022
	(In Thousands)		
Cost of sales:			
Merchandise	₱306,186,118	₱294,402,253	₱270,608,240
Real estate	19,140,583	16,661,443	16,898,568
Processed food and others	11,579,067	11,601,340	15,401,706
Cost of shipping, logistics and other services	15,701,656	13,646,560	12,743,249
	₱352,607,424	₱336,311,596	₱315,651,763

12. Other Current Assets

This account consists of:

	2024	2023
	(In Thousands)	
Prepaid taxes and other prepayments	₱17,359,207	₱20,539,740
Bonds and deposits	11,704,812	10,845,768
Nontrade receivables	8,495,167	6,233,033
Receivables from banks	8,303,336	7,207,447
Input tax	7,599,800	7,226,317
Uniform and supplies inventory	1,919,268	1,724,324
Derivative assets (Note 29)	1,159,210	3,167,911
Accrued interest receivable (Note 21)	424,427	325,863
Others	1,346,309	420,556
	₱58,311,536	₱57,690,959

- Prepaid taxes and other prepayments consist of creditable tax certificates received by the Group and prepayments for insurance, real property taxes, rent, and other expenses which are normally utilized within the next financial year.
- Bonds and deposits pertain to down payments made to suppliers and contractors to cover preliminary expenses of the Group's construction projects. These are not subject to interest and are applied to progress billings depending on the percentage of project accomplishment.
- Nontrade receivables include advances for future purchases and marketing support. These are normally collected within the next financial year (see Note 24).
- Receivables from banks are not subject to interest and are normally collectible on 15- to 90-day terms.
- Input tax represents VAT paid to suppliers that can be claimed as credit against future output VAT liabilities without prescription.
- Accrued interest receivable relates mostly to time deposits and is normally collected within the next financial year.

13. Investments in Associate Companies and Joint Ventures

The movements in this account follow:

	2024	2023
	(In Thousands)	
Balance at beginning of year	₱361,324,800	₱328,271,536
Additions	5,336,879	288,227
Disposal	(1,386,440)	(1,186,682)
Equity in net earnings	50,001,804	44,945,113
Dividends received and others	(15,140,346)	(10,622,941)
Share in other comprehensive loss of associate companies	(561,848)	(641,624)
Impairment reversal (provision)	(115,965)	320,206
Translation adjustment	24,876	(49,035)
Balance at end of year	₱399,483,760	₱361,324,800

* Investment in associate companies amounted to ₱388.1 billion and ₱350.8 billion as at December 31, 2024 and 2023, respectively.

The Group regularly performs tests for impairment of its investments comparing the expected cash flows against the carrying values. The recoverable amount of investments in associate companies is determined based on the fair value less costs of disposal and/or value-in-use calculations using the cash flow projections from the financial budgets approved by senior management.

The calculation of value-in-use is sensitive to the following assumptions:

- Revenues.** Revenue forecasts are management's best estimates considering factors such as index growth to market, customer projections and economic factors. The revenue growth rate used in the cash flow projection of one of the investments is 4.0%. A reasonably possible change in revenue growth rate to 3.8% could cause the carrying amount to exceed the recoverable amount for this investment.
- Pre-tax discount rates.** Discount rates reflect the current market assessment of the risks and are estimated based on the weighted average cost of capital for the industry. The rates are further adjusted to reflect the market assessment of any risk specific to the entity for which future estimates of cash flows have not been adjusted. Pre-tax discount rates applied to cash flow projections ranged from 9.2% to 12.5% and 8.2% to 15.2% as at December 31, 2024 and 2023, respectively. A reasonably possible change in pre-tax discount rates to 13.6% to 13.8% could cause the carrying amounts to exceed the recoverable amounts.

In 2024, the Group recognized ₱200.0 million impairment provision for its investment in YCO Global Cloud Centers Holdings, Inc. (YCO) and ₱84.0 million impairment reversal relative to its divestment from Premium Leisure Corp. (PLC) and Three Bears Group Holdings Corporation (Three Bears). In 2023, the Group reversed ₱320.2 million impairment relative to its divestment from GPay Network PH Inc.

The associate companies and joint ventures of the Group follow:

Company	Percentage of Ownership				Principal Activities
	2024		2023		
	Gross	Effective	Gross	Effective	
Associates					
Amazing Philippines Digital Economy Corp.	35	18	35	18	Digital customer service and selling platform
Andwil Corporation	50	20	50	20	Retail
Asia-Pacific Computer Technology Center, Inc.	42	42	42	42	Investment
Atlas	34	34	34	34	Mining
BDO	47	45	47	45	Financial services
Belle	27	27	27	27	Real estate development and tourism
China Bank	23	23	23	23	Financial services
Citicore Energy REIT Corp. (CREIT)	29	29	-	-	Renewable energy real estate development
CityMall Commercial Centers, Inc.	34	34	34	34	Real estate development and tourism
Clarmil Manufacturing Corp.	42	27	42	27	Bakery products and other food items
Ecco Philippines, Inc.	50	39	50	39	Retail
Fast Retailing Philippines, Inc.	25	19	25	19	Retail
Feihua Real Estate (Chongqing) Company Ltd. (FHREC)	50	25	50	25	Real estate development
Fitness Health & Beauty Holdings Corp.	40	31	40	31	Retail
MCC Transport Philippines, Inc.	33	22	33	22	Integrated supply chain
Neo Associates (a)	34	34	34	34	Real estate development
Ortigas Land Corporation	40	20	40	20	Real estate development
Pluxee Philippines Incorporated (formerly Sodexo Benefits and Rewards Services Philippines, Inc.)	40	40	40	40	Retail
PLC	-	-	5	5	Gaming
Premiere Shoes Distribution Corp.	-	-	49	38	Retail
Three Bears	-	-	35	23	Bakery products and other food items
Watsons Personal Care Stores (Philippines), Inc.	40	31	40	31	Retail
Win With Love, Inc.	33	13	33	13	Retail
YCO	18	18	10	10	Data center
Joint Ventures					
Kerry Logistics (Phils), Inc.	63	33	63	33	Integrated supply chain
Metro Rapid Transit Service, Inc.	51	25	51	25	Transportation
ST 6747 Resources Corporation	50	25	50	25	Real estate development
Waltermart Mall (b)	51	25	51	25	Shopping mall development

The principal place of business and country of incorporation of the associate companies and joint ventures listed above is in the Philippines except for FHREC which was incorporated in China.

(a) Neo Associates consists of N-Park BGC Properties, Inc., N-Lima BGC Properties, Inc. and N-Park BGC Land, Inc.

(b) Waltermart Mall consists of Winsome Development Corporation, Willin Sales, Inc., Williamson, Inc., Waltermart Ventures, Inc., WM Development Inc. and WM Shopping Center Management Inc.

CREIT

In March 2024, the Group acquired 1.9 billion shares equivalent to 28.8% equity interest. CREIT is involved in exploration, development and utilization of energy resources with particular focus on solar and wind energy generation.

PLC

In May 2024, the Group disposed its 1.6 billion shares equivalent to 5.0% equity interest, through a tender offer of Belle, PLC's controlling shareholder.

BDO

The condensed financial information of the Group's material associate, BDO, follows:

	2024	2023
	<i>(In Millions)</i>	
Total assets	₱4,876,050	₱4,477,661
Total liabilities	4,298,655	3,959,107
Total equity	577,395	518,554
Proportion of the Group's ownership	45%	45%
	261,215	234,743
Goodwill and others	26,815	26,669
Carrying amount of the Group's investment	₱288,030	₱261,412

	2024	2023	2022
	<i>(In Millions)</i>		
Interest income	₱272,039	₱231,704	₱169,071
Interest expense	(85,443)	(59,317)	(19,839)
Other expenses - net	(104,376)	(98,827)	(91,998)
Net income after tax	82,220	73,560	57,234
Other comprehensive loss	(3,963)	(1,799)	(9,861)
Total comprehensive income	₱78,257	₱71,761	₱47,373
Group's share in net income	₱38,319	₱34,314	₱26,684
Group's share in other comprehensive loss	(₱1,844)	(₱843)	(₱5,599)

The aggregate comprehensive income of associates and joint ventures that are not individually material follows:

	2024	2023	2022
	<i>(In Millions)</i>		
Share in net income	₱11,683	₱10,631	₱9,142
Share in other comprehensive income	1,257	201	1,263
Share in total comprehensive income	₱12,940	₱10,832	₱10,405

The fair value of investments in associate companies which are listed in the PSE follows:

	2024	2023
	<i>(In Thousands)</i>	
BDO	₱379,550,164	₱344,083,211
China Bank	38,461,840	18,685,792
CREIT	5,747,341	-
Atlas	5,309,447	4,279,075
Belle	4,323,869	3,047,547
PLC	-	16,669,846

These investments are categorized as Level 1 in the fair value hierarchy.

14. Property and Equipment

The movements in this account follow:

	Land	Buildings and Improvements	Store Equipment and Improvements	Data Processing Equipment	Furniture, Fixtures and Office Equipment
Cost					
As at January 1, 2023	₱1,718,794	₱19,892,747	₱3,349,277	₱10,622,599	₱12,611,163
Additions	–	697,001	201,286	1,614,927	1,059,198
Reclassifications	–	762,184	(443,822)	26,868	(39,013)
Disposals/retirements	–	(579,239)	(143,433)	(410,945)	(849,258)
As at December 31, 2023	1,718,794	20,772,693	2,963,308	11,853,449	12,782,090
Additions	–	532,896	214,277	1,367,609	1,121,135
Reclassifications	–	1,519,108	165,369	83,670	(34,825)
Disposals/retirements	–	(73)	(84,424)	(231,183)	(246,295)
As at December 31, 2024	₱1,718,794	₱22,824,624	₱3,258,530	₱13,073,545	₱13,622,105
Accumulated Depreciation and Amortization					
As at January 1, 2023	₱–	₱7,756,779	₱2,623,730	₱8,387,765	₱10,000,055
Depreciation and amortization	–	922,703	226,928	1,307,897	767,376
Reclassifications	–	19,324	(587,914)	(280,871)	262,420
Disposals/retirements	–	(544,403)	(140,809)	(403,861)	(822,584)
As at December 31, 2023	–	8,154,403	2,121,935	9,010,930	10,207,267
Depreciation and amortization	–	1,061,691	243,288	942,794	814,053
Reclassifications	–	(14,154)	145,228	10,497	(75,810)
Disposals/retirements	–	(7)	(81,204)	(224,451)	(237,342)
As at December 31, 2024	₱–	₱9,201,933	₱2,429,247	₱9,739,770	₱10,708,168
Net Book Value					
As at December 31, 2024	₱1,718,794	₱13,622,691	₱829,283	₱3,333,775	₱2,913,937
As at December 31, 2023	1,718,794	12,618,290	841,373	2,842,519	2,574,823

To secure a ₱500.0 million term loan facility, 2GO used one of its passenger/cargo ships as collateral. The carrying value of this ship in the Group's consolidated balance sheets is ₱2.3 billion and ₱2.4 billion as at December 31, 2024 and 2023, respectively (see Note 19).

Gain and/or loss from disposal of certain properties and equipment in 2024 and 2023 are recognized in the consolidated statements of income under "Foreign exchange gain (loss) - net and others".

Machinery and Equipment (In Thousands)	Leasehold Improvements	Transportation Equipment	Vessels in Operation	Containers and Reefer Vans	Construction in Progress	Total
₱21,456,447	₱30,307,204	₱1,657,255	₱14,707,557	₱1,625,035	₱4,771,166	₱122,719,244
851,219	2,347,796	67,955	762,647	34	4,759,700	12,361,763
2,268,988	427,755	98,278	(13,530)	301	(3,406,915)	(318,906)
(170,268)	(260,104)	(100,567)	(102,792)	(21,660)	–	(2,638,266)
24,406,386	32,822,651	1,722,921	15,353,882	1,603,710	6,123,951	132,123,835
1,672,274	2,365,261	217,352	2,545,706	188,745	2,523,532	12,748,787
1,640,154	(4,644)	(10,196)	–	–	(3,583,153)	(224,517)
(200,099)	(623,278)	(94,638)	(2,439,808)	(22,163)	(9,666)	(3,951,627)
₱27,518,715	₱34,559,990	₱1,835,439	₱15,459,780	₱1,770,292	₱5,054,664	₱140,696,478
₱12,253,720	₱23,324,307	₱1,219,539	₱7,862,443	₱1,409,892	₱–	₱74,838,230
1,501,025	1,479,149	86,398	961,991	48,134	–	7,301,601
(83,810)	275,569	102,087	–	–	–	(293,195)
(181,623)	(256,732)	(99,970)	(102,792)	(21,660)	–	(2,574,434)
13,489,312	24,822,293	1,308,054	8,721,642	1,436,366	–	79,272,202
1,673,424	1,874,220	94,411	987,764	56,040	–	7,747,685
1,488	(51,050)	(13,215)	(5,112)	–	–	(2,128)
(196,379)	(590,879)	(94,594)	(2,231,152)	(21,901)	–	(3,677,909)
₱14,967,845	₱26,054,584	₱1,294,656	₱7,473,142	₱1,470,505	₱–	₱83,339,850
₱12,550,870	₱8,505,406	₱540,783	₱7,986,638	₱299,787	₱5,054,664	₱57,356,628
10,917,074	8,000,358	414,867	6,632,240	167,344	6,123,951	52,851,633

15. Investment Properties

The movements in this account follow:

	Land Held for Future Development	Land and Improvements	Buildings and Leasehold Improvements	Building Equipment, Furniture and Others	Construction in Progress	Total
(In Thousands)						
Cost						
As at January 1, 2023	₱83,846,727	₱87,712,636	₱313,956,225	₱55,344,683	₱68,562,497	₱609,422,768
Additions	4,442,123	11,637,554	2,421,367	3,121,210	46,583,698	68,205,952
Reclassifications (Note 11)	(89,781)	2,683,563	24,423,632	2,482,213	(31,251,512)	(1,751,885)
Translation adjustment	–	(61,972)	(1,756,871)	(170,289)	(391,352)	(2,380,484)
Disposals	(3,594)	(312,626)	(109,550)	(530,451)	–	(956,221)
As at December 31, 2023	88,195,475	101,659,155	338,934,803	60,247,366	83,503,331	672,540,130
Additions	2,000,404	3,191,982	4,129,942	3,632,904	54,613,557	67,568,789
Reclassifications (Note 11)	2,836,443	(1,275,292)	14,710,993	2,788,244	(16,223,945)	2,836,443
Translation adjustment	–	22,612	895,382	77,636	124,704	1,120,334
Disposals	(121,802)	(207,676)	(366,746)	(222,151)	–	(918,375)
As at December 31, 2024	₱92,910,520	₱103,390,781	₱358,304,374	₱66,523,999	₱122,017,647	₱743,147,321
Accumulated Depreciation, Amortization and Impairment Loss						
As at January 1, 2023	–	3,126,825	84,927,678	35,385,964	–	123,440,467
Depreciation and amortization	–	265,404	9,071,500	3,983,725	–	13,320,629
Reclassifications	–	45	4,475	9,427	–	13,947
Translation adjustment	–	(42,708)	(431,780)	(86,870)	–	(561,358)
Disposals	–	(301,936)	(65,033)	(373,809)	–	(740,778)
As at December 31, 2023	–	3,047,630	93,506,840	38,918,437	–	135,472,907
Depreciation and amortization	–	269,338	10,067,237	4,253,973	–	14,590,548
Provision for impairment loss	–	359,756	–	–	–	359,756
Reclassifications	–	–	49	–	–	49
Translation adjustment	–	15,353	196,752	45,221	–	257,326
Disposals	–	(32,359)	(250,505)	(200,203)	–	(483,067)
As at December 31, 2024	₱–	₱3,659,718	₱103,520,373	₱43,017,428	₱–	₱150,197,519
Net Book Value						
As at December 31, 2024	₱92,910,520	₱99,731,063	₱254,784,001	₱23,506,571	₱122,017,647	₱592,949,802
As at December 31, 2023	88,195,475	98,611,525	245,427,963	21,328,929	83,503,331	537,067,223

Rent income from investment properties, which is primarily attributable to SM Prime, amounted to ₱66.4 billion, ₱60.4 billion and ₱47.9 billion in 2024, 2023 and 2022, respectively. The corresponding direct operating expenses amounted to ₱35.6 billion, ₱33.4 billion and ₱25.3 billion in 2024, 2023 and 2022, respectively.

Construction in progress includes construction costs incurred for new shopping malls, commercial building and redevelopment of existing malls amounting to ₱120.5 billion and ₱82.0 billion as at December 31, 2024 and 2023, respectively.

Portions of investment properties located in China amounting to ₱1.5 billion as at December 31, 2024 and 2023 are used as collateral to secure domestic borrowings (see Note 19).

The outstanding construction contracts with various contractors amounted to ₱63.4 billion and ₱78.4 billion as at December 31, 2024 and 2023, respectively, inclusive of overhead, cost of labor and materials and all other costs necessary for the proper execution of works.

Interest capitalized to the construction of investment properties amounted to ₱7.4 billion and ₱5.8 billion as at December 31, 2024 and 2023, respectively. Capitalization rates used range from 2.5% to 5.8% in 2024 and 2.3% to 5.4% in 2023.

As at December 31, 2024, the fair value of substantially all investment properties amounting to ₱2.4 trillion was determined by accredited independent appraisers with appropriate qualifications and experience in the valuation of similar properties in the relevant locations. The fair value represents the price that would be received to sell the investment properties in an orderly transaction between market participants at the measurement date. Management also believes that the carrying values of additions to investment properties subsequent to the most recent valuation date approximate their fair values. In conducting the appraisal, the independent appraisers mainly used the Market Approach and Income Approach. The Income Approach is based on the premise that the value of a property is directly related to the income it generates.

The significant assumptions used in the valuation are discount rates and capitalization rates of 5.0% to 10.0% with an average growth of 5.0%. Fair values based on market approach were assessed using sales comparison approach.

These investment properties are categorized as Level 3 in the fair value hierarchy since valuation is based on unobservable inputs.

The Group has no restriction on the realizability of its investment properties.

Gain or loss from disposal of investment properties in 2024 and 2023 are recognized in the consolidated statements of income under "Foreign exchange gain (loss) - net and others".

16. Intangibles and Other Noncurrent Assets

Intangible Assets

This account consists of:

	2024	2023
	<i>(In Thousands)</i>	
Goodwill	₱34,340,023	₱34,320,712
Less accumulated impairment loss	80,594	172,213
Net book value	34,259,429	34,148,499
Trademarks and brand names	6,127,046	6,127,069
	₱40,386,475	₱40,275,568

Goodwill is attributable mainly to SM Prime, Supervalu, Inc., Neo Subsidiaries, Waltermart Supermarket, Incorporated, 2GO, GBI and PGPC (see Note 5).

Trademarks and brand names include the following:

- Brand names of SM Supermarket and SM Hypermarket that were acquired in a business combination in 2006. These are assessed to have an indefinite life and valued using the Relief-from-Royalty Method. The royalty rate used was 3.5%, the prevailing royalty rate in 2006 in the retail assorted category.
- Rights, title and interest in the trademark of Cherry Foodarama, Inc. that was acquired in 2015 and assessed to have a definite useful life of 10 years. In 2022, the carrying amount of ₱857.8 million has been fully amortized and taken up in profit or loss.

The recoverable amount of goodwill, trademarks and brand names have been determined based on value-in-use calculations using the cash flow projections from the financial budgets approved by senior management covering a five-year period and fair value less cost of disposal calculations of the underlying net assets of the CGUs.

The calculation of value-in-use is most sensitive to the following assumptions:

- Revenue.* Revenue forecasts are management's best estimates considering factors such as index growth to market, customer projections and economic factors. Revenue growth rates used in the cash flow projections ranged from 3.0% to 3.4%.
- Pre-tax discount rates.* Discount rates reflect the current market assessment of the risks to each CGU and are estimated based on the weighted average cost of capital for the industry. The rates are further adjusted to reflect the market assessment of any risk specific to the CGU for which future estimates of cash flows have not been adjusted. Pre-tax discount rates applied to cash flow projections ranged from 10.6% to 19.5% and 12.4% to 18.1% as at December 31, 2024 and 2023, respectively.

Fair value less cost of disposal. The fair values of the CGUs were computed based on available market price for quoted instruments less cost of disposal.

Management assessed that no reasonably possible change in pre-tax discount rates, future cash inflows and fair values would cause the carrying value of goodwill in 2024 and 2023 to materially exceed its recoverable amount.

Other Noncurrent Assets

This account consists of:

	2024	2023
	<i>(In Thousands)</i>	
Receivables from real estate buyers* (Note 10)	₱79,064,021	₱70,600,303
Bonds and deposits	46,127,306	50,388,596
Deferred exploration costs	5,568,965	2,778,934
Deferred tax assets (Note 26)	5,459,041	6,462,108
Derivative assets (Note 29)	4,219,004	3,611,478
Deferred input VAT	1,461,087	1,559,521
Escrow fund (Notes 12 and 21)	822,019	843,732
Defined benefit asset (Note 25)	250,818	110,831
Others	3,442,350	1,689,590
	₱146,414,611	₱138,045,093

* Pertains to the noncurrent portion of unbilled revenue from sales of real estate.

- Bonds and deposits include deposits for its leased properties as well as deposits to contractors and suppliers related to various construction projects and service contracts.
- Escrow fund consists mainly of funds deposited by the Parent Company in the account of an escrow agent as required by the SEC, in connection with the corporate restructuring in 2013, and by SM Prime as required by the Department of Human Settlements and Urban Development in connection with the incentive compliance provisions of the Urban Development and Housing Act.

17. Bank Loans

This account consists of:

	2024	2023
	(In Thousands)	
Parent Company:		
U.S. dollar-denominated loans	P-	P415,275
Peso-denominated loans	-	4,200,000
Subsidiaries:		
China yuan renminbi-denominated loans	1,282,356	2,288,964
Peso-denominated loans	22,792,000	6,510,000
	P24,074,356	P13,414,239

The interest rates of Peso-denominated loans ranged from 5.5% to 7.0% in 2024 and 4.0% to 6.9% in 2023. The U.S. dollar-denominated loans bear an interest rate of 6.2% in 2023. The China yuan renminbi-denominated loans bear the China Loan Prime Rate (LPR) in 2024 and 2023.

These loans have maturities of less than one year. Interest on bank loans is disclosed in Note 24.

18. Accounts Payable and Other Current Liabilities

This account consists of:

	2024	2023
	(In Thousands)	
Trade	P125,209,282	P116,681,582
Accrued expenses	26,937,423	23,778,417
Nontrade	18,687,078	17,528,203
Tenants' and customers' deposits*	12,907,302	14,595,837
Payables to government agencies	6,397,844	7,046,388
Accrued interest (Note 21)	4,072,405	3,690,975
Lease liabilities (Note 27)	3,196,427	2,977,457
Payable arising from acquisition of land	3,004,397	4,502,475
Dividends payable	2,328,001	2,486,420
Subscriptions payable	1,966,477	1,966,477
Others	5,665,941	4,914,796
	P210,372,577	P200,169,027

* Includes unearned revenues from shipping and logistics of P154.3 million and P54.1 million as at December 31, 2024 and 2023, respectively, and unearned revenues from sales of real estate of P9.0 billion and P7.0 billion as at December 31, 2024 and 2023, respectively.

- Trade payables primarily consist of liabilities to suppliers and contractors. These are not subject to interest and are normally settled on 30-to 60-day terms.
- Accrued expenses pertain to costs and expenses which are normally settled within twelve months. Details follow:

	2024	2023
	(In Thousands)	
Payable to contractors	P11,406,989	P9,400,962
Marketing and advertising and others	8,844,018	9,907,485
Utilities	5,425,030	3,123,796
Co-loading termination cost	673,457	896,956
Salaries and wages	587,929	449,218
	P26,937,423	P23,778,417

- Nontrade payables, accrued interest, subscriptions payable and others are expected to be settled within the next financial year.
- Tenants' deposit refer to security deposits received from tenants normally at the time of signing lease contracts. These deposits may be returned to the tenants at lease termination, net of unpaid rental, penalties and/or cost of repairs for any damage on the leased properties. Customers' deposits mainly represent the excess of collections from real estate buyers over the related revenue recognized based on POC and the non-refundable reservation fees from prospective real estate buyers which are applied to the receivable when the reservation is converted to sales. In 2024 and 2023, unearned revenue from sales of real estate recognized in profit or loss amounted to P2.1 billion.
- Payables to government agencies mainly consist of output tax which is normally settled within the next financial year.
- Payable arising from acquisition of land is expected to be settled within the next financial year.
- Others include gift checks redeemable, advance rental, deferred rent and others.

19. Long-term Debt

This account consists of:

	Availment	Maturity	December 31, 2024		Amount	December 31,
			Interest Rate/Term	Security		2023
						Amount
						(In Thousands)
Parent Company						
U.S. dollar-denominated*	June 2023	June 2027	ROP reference rate + margin; quarterly	Unsecured	₱4,627,600	₱35,159,950
GBP-denominated*	April 2023 - July 2023	April 2025 - July 2028	Fixed 4.2%-5.3%; quarterly	Unsecured	6,541,214	6,403,683
Peso-denominated	April 2020 - March 2023	February 2025 - May 2031	Fixed 3.6%-5.2%; Two-year PHP BVAL + margin; semi-annual and quarterly	Unsecured	45,574,500	65,156,900
Subsidiaries						
U.S. dollar-denominated*	January 2021 - August 2024	March 2025 - August 2029	Fixed 5.4%; SOFR + spread; semi-annual and quarterly	Unsecured/ Secured	104,978,877	84,350,144
China yuan renminbi-denominated**	May 2021 - December 2024	April 2026 - June 2037	Fixed 3.7%; LPR, SOFR; annually	Secured	10,830,711	10,590,461
Peso-denominated***	November 2015 - December 2024	January 2025 - April 2032	Fixed 3.8%-7.3%; BVAL + margin	Unsecured/ Secured	306,004,020	288,983,232
					478,556,922	490,644,370
Less debt issue cost					2,056,902	2,356,720
					476,500,020	488,287,650
Less current portion					104,627,839	113,528,791
					₱371,872,181	₱374,758,859

BVAL – Bloomberg Valuation

ROP – Republic of the Philippines

SOFR – Secured Overnight Financing Rate

*Includes loans hedged against foreign exchange and interest rate risks using derivative instruments (see Unsecured Note 24) and loans unconditionally and irrevocably guaranteed by the Parent.

** Secured by portions of investment properties located in China (see Note 15)

***Secured by portions of property and equipment (see Note 14)

Debt Issue Cost

The movements in unamortized debt issue cost follow:

	2024	2023
(In Thousands)		
Balance at beginning of year	₱2,356,720	₱2,708,662
Additions	787,831	829,466
Amortization and others	(1,087,649)	(1,181,408)
Balance at end of year	₱2,056,902	₱2,356,720

The amortization of debt issue cost is recognized in the consolidated statements of income under “Interest expense”.

Repayment Schedule

The repayment schedule of long-term debt as at December 31, 2024 follows:

	Gross Debt	Debt Issue Cost	Net
(In Thousands)			
Within 1 year	₱105,332,668	₱704,829	₱104,627,839
Over 1 year to 5 years	330,865,097	1,271,605	329,593,492
Over 5 years	42,359,157	80,468	42,278,689
	₱478,556,922	₱2,056,902	₱476,500,020

Covenants

The long-term debt of the Group is covered with certain covenants including adherence to financial ratios and certain restrictions with respect to material change in ownership or control. As at December 31, 2024 and 2023, the Group is compliant with the terms of its debt covenants with the exception of 2GO in 2023, but which is covered with a waiver from its creditor bank.

20. Equity

Capital Stock

a. Common stock

	Number of Shares	
	2024	2023
Authorized - 10 par value per share	₱2,790,000,000	₱2,790,000,000
Issued and subscribed	1,226,114,578	1,226,114,578

As at December 31, 2024 and 2023, the Parent Company is compliant with the minimum public float as required by the PSE.

In August 2024, the BOD approved the property-for-share swap with ICDC where the Parent Company will issue 7,039,562 new SMIC common shares to ICDC in exchange for land valued at ₱6.2 billion. The deed of assignment over this property and the request for approval was submitted to the SEC in October 2024. The SEC approval is pending as of February 28, 2025.

Information on the Parent Company's registration of securities under the Securities Regulation Code follows:

Date of SEC Approval	Authorized Shares	Number of Shares Issued	Issue/Offer Price
March 22, 2005		105,000,000	₱250
November 6, 2007		56,000,000	218
June 14, 2007	100,000,000		10
April 25, 2007 (4.3% stock dividends)		25,023,038	10
October 4, 2010 to March 13, 2012 Conversion of convertible bonds		2,851,582	453
September 24, 2012		9,100,000	700
January 23, 2013 to July 5, 2013 Conversion of convertible bonds		7,651,851	781
June 14, 2013	500,000,000		10
June 24 and July 12, 2013 (25.0% stock dividends)		157,657,314	10
July 18, 2013 to November 1, 2013 Conversion of convertible bonds		738,483	625
August 1, 2013		7,250,000	900
August 27, 2014 Conversion of convertible bonds		68,378	625
January 15, 2015 to April 9, 2015 Conversion of convertible bonds		6,714,759	625
July 15, 2016	1,600,000,000		10
July 20, 2016 (50.0% stock dividends)		401,527,462	10
August 1, 2022 (merger)		21,531,471	904
August 3, 2022		240	10

The total number of shareholders of the Parent Company is 1,258 and 1,242 as at December 31, 2024 and 2023, respectively.

b. Redeemable preferred shares

	Number of Shares	
	2024	2023
Authorized - 10 par value per share	10,000,000	10,000,000

There are no issued and subscribed preferred shares as at December 31, 2024 and 2023.

Equity Adjustments from Common Control Transactions

Equity adjustments from common control transactions include the following:

- Acquisition of various SM China Companies by SM Prime in 2007.
- Acquisition of various service companies by SM Retail in 2009.
- Corporate restructuring to consolidate the Group's real estate subsidiaries and real estate assets in SM Prime in 2013.
- Merger of SM Retail with other retail affiliates in 2016.
- SM Prime common control business acquisitions in 2016 and 2017.
- Merger of the Parent Company with Allfirst in August 2022.
- SM Retail common control business acquisition in 2024.

These acquisitions were considered as a combination of businesses under common control for which the pooling of interests method was applied in the preparation of the consolidated financial statements.

Retained Earnings

- Appropriated

Following are the appropriations approved by the BOD:

	Date of BOD Approval	Amount (In Thousands)
Balance as at January 1, 2015		₱27,000,000
Reversal	November 4, 2015	(18,000,000)
Addition	November 4, 2015	27,000,000
Reversal	November 8, 2017	(27,800,000)
Addition	November 8, 2017	28,800,000
Reversal	November 10, 2021	(37,000,000)
Addition	November 10, 2021	37,000,000
Reversal	November 13, 2024	(37,000,000)
Addition	November 13, 2024	30,000,000

Retained earnings appropriated as at December 31, 2024 is intended for new investments for the years 2025 to 2027.

- Unappropriated

The Parent Company's cash dividend declarations in 2024 and 2023 follow:

Declaration Date	Record Date	Payment Date	Per Share	Total (In Thousands)
April 24, 2024	May 9, 2024	May 23, 2024	₱9.00	₱10,998,210
April 26, 2023	May 11, 2023	May 25, 2023	7.50	9,165,175

Unappropriated retained earnings include the accumulated equity in net earnings of subsidiaries, associates and joint ventures amounting to ₱454.4 billion and ₱393.8 billion as at December 31, 2024 and 2023, respectively, that is not available for distribution until such time that the Parent Company receives the dividends from the respective subsidiaries, associates and joint ventures.

The retained earnings of the Parent Company available for dividend declaration amounted to ₱54.9 billion, ₱43.8 billion and ₱34.5 billion as at December 31, 2024, 2023 and 2022, respectively.

21. Related Party Disclosures

Parties are considered to be related if one party has the ability, directly and 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. The Group has a policy that requires approval of related party transactions by the Related Party Transactions Committee of the BOD when these breach certain limits and/or when these are not of a usual nature.

The significant transactions with related parties follow:

- Rent

The Group has existing lease agreements for office and commercial spaces with related companies (banking group and retail and other related parties under common stockholders).

- Royalty and Service Fees

The Parent Company and SM Retail receive service fees from retail entities under common stockholders for management, consultancy, manpower and other services. In addition to service fees, the Parent Company also receives royalty fees from certain related parties.

- Dividend Income

The Group earns dividend income from certain related parties under common stockholders.

- Cash Placements and Loans

The Group has certain bank accounts and cash placements as well as bank loans and debts with BDO and China Bank. Such accounts earn interest at prevailing market rates.

- Tenants' deposits

The Group holds lease security deposits from related parties for its leasable investment properties. These are refundable upon termination of the lease agreements.

- Others

The Group, in the normal course of business, has outstanding receivables from and payables to related companies which are unsecured and normally settled in cash.

The related party transactions and outstanding balances follow:

	Transaction Amount			Outstanding Amount		Terms	Conditions
	2024	2023	2022	2024	2023		
(In Thousands)							
Banking Group							
Cash placement and investment in marketable securities	₱-	₱-	₱-	₱100,089,605	112,090,550	Interest-bearing	Unsecured/Secured; no impairment
Interest receivable	-	-	-	206,309	122,166	-	-
Interest income	3,803,093	3,115,199	2,084,329	-	-	-	-
Interest-bearing debt	-	-	-	63,857,393	63,521,896	Interest-bearing	Unsecured/Secured
Interest payable	-	-	-	349,742	365,746	-	-
Interest expense	3,793,076	3,045,964	2,753,606	-	-	-	-
Rent receivable	-	-	-	169,052	162,982	Noninterest-bearing	Unsecured; no impairment
Rent income	1,368,219	1,307,951	1,142,575	-	-	-	-
Receivable financed	6,966,786	4,130,907	-	-	-	Without recourse	Unsecured
Dividends receivable	-	-	-	-	40,386	Noninterest-bearing	Unsecured; no impairment
Royalty and service fee receivable	-	-	-	8,523	8,458	Noninterest-bearing	Unsecured; no impairment
Royalty and service fee income	19,365	116,740	124,260	-	-	-	-
Escrow fund	-	-	-	819,559	841,272	Interest-bearing	Unsecured; no impairment
Tenants' deposits	-	-	-	731,713	669,131	Noninterest-bearing	Unsecured
Retail and Other Entities							
Rent receivable	-	-	-	417,195	370,466	Noninterest-bearing	Unsecured; no impairment
Rent payable	-	-	-	4,361	-	Noninterest-bearing	Unsecured
Rent income	2,711,443	2,378,131	1,945,309	-	-	-	-
Royalty and service fee receivable	-	-	-	2,133,325	2,851,529	Noninterest-bearing	Unsecured; no impairment
Royalty and service fee income	2,886,224	2,468,686	2,056,294	-	-	-	-
Shipping, logistics and other services	112,767	47,169	37,005	-	-	-	-
Trade receivable	-	-	-	43,726	11,605	Noninterest-bearing	Unsecured; no impairment
Nontrade receivable	-	-	-	247,131	87,007	Noninterest-bearing	Unsecured; no impairment
Trade payable	-	-	-	109,847	20,883	Noninterest-bearing	Unsecured
Nontrade payable	-	-	-	1,003,461	1,166,297	Noninterest-bearing	Unsecured
Interest income	-	-	237,830	-	-	-	-
Dividends receivable	-	-	-	973,044	746,019	Noninterest-bearing	Unsecured; no impairment
Bonds and deposits	-	-	-	3,339	2,000	Noninterest-bearing	Unsecured; no impairment
Tenants' deposit	-	-	-	841,517	728,258	Noninterest-bearing	Unsecured

Terms and Conditions of Transactions with Related Parties

Outstanding balances at yearend are normally settled in cash. The Group did not make any provision for impairment loss relating to amounts owed by related parties.

Compensation of Key Management Personnel

The aggregate compensation and benefits relating to key management personnel in 2024, 2023 and 2022 consist of short-term employee benefits amounting to ₱4.7 billion, ₱4.1 billion and ₱3.7 billion, respectively, and post-employment benefits amounting to ₱634.8 million, ₱543.5 million and ₱536.4 million, respectively.

22. Other Revenues

This account consists of:

	2024	2023	2022
(In Thousands)			
Sales - processed food and others	₱19,071,519	₱19,964,099	₱24,604,593
Shipping, logistics and other services	18,775,407	16,725,516	14,111,385
Cinema and event ticket sales and others	10,216,160	9,027,668	4,216,516
Royalty and service fees	7,182,938	7,756,655	5,520,394
Food and beverage	2,661,034	2,339,039	1,786,358
Dividends	870,899	911,619	1,177,340
Others	10,364,346	8,947,819	10,223,602
	₱69,142,303	₱65,672,415	₱61,640,188

Others include membership revenues, sponsorship income and related items, commission income as well as miscellaneous income from the various business operations of the Group.

23. Costs and Expenses

This account consists of:

	2024	2023	2022
	<i>(In Thousands)</i>		
Cost of sales and services (Note 11)	₱352,607,424	₱336,311,596	₱315,651,763
Personnel cost (Note 21)	37,972,632	34,201,813	29,580,662
Depreciation and amortization (Notes 14, 15, 16 and 27)	24,297,667	22,745,157	21,740,973
Utilities	15,487,889	15,133,643	13,491,008
Taxes and licenses	12,539,843	10,759,774	8,442,897
Outside services	10,272,596	10,521,569	7,178,570
Marketing and selling	9,400,018	9,517,534	7,279,896
Supplies	6,031,605	5,552,948	2,565,154
Rent (Note 27)	5,645,827	3,716,298	3,323,087
Provisions - net (Note 10)	4,176,204	4,400,289	5,099,217
Repairs and maintenance	2,611,736	2,767,583	2,410,096
Pension (Note 25)	1,733,599	1,489,654	1,270,890
Transportation and travel	1,631,430	1,273,496	1,127,112
Data processing	1,048,406	1,097,338	1,089,862
Insurance	952,970	1,107,341	1,030,217
Professional fees	918,284	761,705	720,865
Management and royalty fees (Note 21)	766,982	360,897	371,672
Communications	719,547	556,082	480,584
Entertainment, representation and amusement	582,916	494,347	433,405
Donations	457,281	363,177	422,070
Remeasurement loss (Note 5)	-	-	310,152
Others	13,096,374	10,951,623	11,410,775
	₱502,951,230	₱474,083,864	₱435,430,927

Others mainly consist of dues and subscriptions, commissions and bank charges.

24. Interest Income and Interest Expense

The sources of interest income and interest expense follow:

	2024	2023	2022
	<i>(In Thousands)</i>		
Interest income on:			
Cash in banks and temporary investments (Note 7)	₱3,712,058	₱2,878,312	₱1,664,890
Time deposits and other noncurrent assets (Notes 8 and 16)	528,911	840,991	1,174,464
Others (Note 12)	335,786	328,975	203,016
	₱4,576,755	₱4,048,278	₱3,042,370
Interest expense on:			
Long-term debt (Note 19)	₱19,881,495	₱20,939,063	₱18,330,649
Lease liabilities (Note 27)	2,066,436	1,999,342	2,029,583
Bank loans (Note 17)	1,660,397	1,076,593	1,152,710
Others	101,914	69,746	34,128
	₱23,710,242	₱24,084,744	₱21,547,070

25. Pension Benefits

The Group has funded defined benefit pension plans covering all regular and permanent employees.

Net benefit expense (included under "Costs and Expenses") consists of:

	2024	2023	2022
	<i>(In Thousands)</i>		
Current service cost	₱1,537,970	₱1,360,559	₱1,301,442
Net settlement gain	-	(241)	(238)
Net interest cost	365,221	286,686	211,071
Past service cost - curtailment	18,041	10,245	(1,931)
	₱1,921,232	₱1,657,249	₱1,510,344
Pension expense (Note 23)	₱1,733,599	₱1,489,654	₱1,270,890
Cost of sales and services (Note 23)	187,633	167,595	239,454

Changes in the net defined benefit liability and asset follow:

• Net Defined Benefit Liability

	Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Amount not Recognized due to Asset Limit	Defined Benefit Liability (Asset)
(In Thousands)				
As at January 1, 2023	₱12,694,403	₱7,827,141	₱-	₱4,867,262
Net benefit expense (Note 23):				
Current service cost	1,314,769	-	-	1,314,769
Settlement gain	(241)	-	-	(241)
Net interest cost	997,397	707,658	146	289,885
Past service cost - curtailment	10,245	-	-	10,245
	2,322,170	707,658	146	1,614,658
Remeasurements in other comprehensive income:				
Return on plan assets (excluding amount included in net interest)	-	(334,406)	-	334,406
Actuarial changes arising from:				
Changes in financial assumptions	2,115,492	-	-	2,115,492
Changes in demographic assumptions	(15,510)	-	-	(15,510)
Experience adjustment	12,364	-	-	12,364
Others	-	-	(105)	(105)
	2,112,346	(334,406)	(105)	2,446,647
Reclassifications from defined benefit assets	1,657,205	1,741,593	-	(84,388)
Personnel transfers	84,227	(42,534)	-	126,761
Actual contributions	-	2,044,189	-	(2,044,189)
Benefits paid	(971,728)	(948,288)	-	(23,440)
Transfer to related parties	49,762	49,136	-	626
Other adjustments	35,261	5,406	(17)	29,838
As at December 31, 2023	17,983,646	11,048,895	24	6,934,775
Net benefit expense (Note 23):				
Current service cost	1,289,338	-	-	1,289,338
Net interest cost	915,404	568,125	300	347,579
Past service cost - curtailment	18,041	-	-	18,041
	2,222,783	568,125	300	1,654,958
Remeasurements in other comprehensive income:				
Return on plan assets (excluding amount included in net interest)	-	(99,606)	-	99,606
Actuarial changes arising from:				
Changes in financial assumptions	(1,628,330)	-	-	(1,628,330)
Changes in demographic assumptions	(134,407)	-	-	(134,407)
Experience adjustment	425,669	-	-	425,669
Others	-	-	(324)	(324)
	(1,337,068)	(99,606)	(324)	(1,237,786)
Reclassifications to defined benefit assets	(2,669,768)	(2,267,597)	-	(402,171)
Personnel transfers	192,657	122,192	-	70,465
Actual contributions	-	1,567,686	-	(1,567,686)
Benefits paid	(892,948)	(882,212)	-	(10,736)
Transfer to related parties	(2,787)	(2,787)	-	-
Other adjustments	10,337	9,559	-	778
As at December 31, 2024	₱15,506,852	₱10,064,255	₱-	₱5,442,597

• Net Defined Benefit Asset

	Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Amount not Recognized due to Asset Limit	Defined Benefit Liability (Asset)
(In Thousands)				
As at January 1, 2023	₱1,945,168	₱2,111,765	₱37,563	(₱129,034)
Net benefit expense (Note 23):				
Current service cost	45,790	-	-	45,790
Net interest cost	28,480	34,285	2,606	(3,199)
	74,270	34,285	2,606	42,591
Remeasurements in other comprehensive income:				
Return on plan assets (excluding amount included in net interest)	-	(14,261)	-	14,261
Actuarial changes arising from:				
Changes in financial assumptions	77,177	-	-	77,177
Changes in demographic assumptions	(2,647)	-	-	(2,647)
Experience adjustment	(24,997)	-	-	(24,997)
Others	-	-	(6,534)	(6,534)
	49,533	(14,261)	(6,534)	57,260
Reclassifications to defined benefit liabilities	(1,618,909)	(1,707,328)	-	88,419
Personnel transfers	(118,848)	7,913	-	(126,761)
Actual contributions	-	47,540	-	(47,540)
Benefits paid	(29,580)	(27,301)	-	(2,279)
Transfer from the plan	(10,964)	(13,243)	-	2,279
Amount not recognized due to asset limit	-	-	33,660	33,660
Other adjustments	(1,189)	(5,406)	(33,643)	(29,426)
As at December 31, 2023	289,481	433,964	33,652	(110,831)
Net benefit expense (Note 23):				
Current service cost	248,632	-	-	248,632
Net interest cost	184,392	167,806	1,056	17,642
	433,024	167,806	1,056	266,274
Remeasurements in other comprehensive income:				
Return on plan assets (excluding amount included in net interest)	-	(68,949)	-	68,949
Actuarial changes arising from:				
Changes in financial assumptions	(276,283)	-	-	(276,283)
Changes in demographic assumptions	(25,750)	-	-	(25,750)
Experience adjustment	(209,629)	-	-	(209,629)
Others	-	-	3,231	3,231
	(511,662)	(68,949)	3,231	(439,482)
Reclassifications from defined benefit liabilities	2,667,420	2,267,593	-	399,827
Personnel transfers	(183,153)	(112,689)	-	(70,464)
Actual contributions	-	296,142	-	(296,142)
Benefits paid	(211,102)	(211,102)	-	-
Transfer from the plan	16,527	16,527	-	-
Amount not recognized due to asset limit	-	-	37,947	37,947
Other adjustments	-	-	(37,947)	(37,947)
As at December 31, 2024	₱2,500,535	₱2,789,292	₱37,939	(₱250,818)

The principal assumptions used in determining the pension obligations of the Group follow:

	2024	2023
Discount rate	5.8% - 6.2%	5.9% - 6.5%
Future salary increases	3.0% - 8.0%	3.0% - 10.0%

The assets of the Pension Plan are held by a trustee bank, BDO, a related party. The investing decisions of the Plan are made by the Board of Trustees of the Pension Plan. The carrying amounts, which approximate the estimated fair values of the Plan assets, follow:

	2024	2023
(In Thousands)		
Cash and cash equivalents	₱283,625	₱279,604
Investment in debt and other securities	963,504	1,378,149
Investment in common trust funds	4,565,709	4,123,140
Investment in equity securities	461,911	337,371
Investment in government securities	6,480,517	5,287,958
Others	98,281	76,637
	₱12,853,547	₱11,482,859

- Cash and cash equivalents include regular savings and time deposits.
- Investments in debt and other securities, consisting of both short-term and long-term corporate loans, notes and bonds, bear interest ranging from 4.8% to 7.8% and 3.0% to 7.8% in 2024 and 2023, respectively. These have maturities from October 2025 to December 2029 and January 2024 to December 2029 in 2024 and 2023, respectively.
- Investment in common trust funds consists of unit investment trust fund placements.
- Investment in equity securities consists of listed and unlisted equity securities.
- Investment in government securities consists of retail treasury bonds. These bonds bear interest ranging from 3.4% to 8.6% and 2.7% to 8.6% in 2024 and 2023, respectively. These bonds have maturities from February 2026 to January 2034 and October 2024 to August 2033 in 2024 and 2023, respectively.
- Others pertain to accrued interest income on cash deposits and debt securities held by the Plan.

The outstanding balances and transactions of the Pension Plan with the trustee bank follow:

	2024	2023
	<i>(In Thousands)</i>	
Balances:		
Cash and cash equivalents	₱283,622	₱279,604
Investment in common trust funds	4,551,710	4,123,141
Transactions:		
Interest income from cash and cash equivalents	255,434	6,010
Net income from investment in common trust funds	228,903	216,672

The Group expects to contribute about ₱2.2 billion to its Pension Plan in 2025.

The sensitivity analysis below has been determined based on reasonably possible changes in each significant assumption on the defined benefit obligation as at December 31, 2024 and 2023, with all other assumptions held constant:

	Increase (Decrease) in Basis Points	Increase (Decrease) in Defined Benefit Obligation <i>(In Thousands)</i>
2024		
Discount rates	50	(₱2,178,673)
	(50)	2,402,470
Future salary increases	100	2,681,862
	(100)	(2,419,749)
No attrition rate	-	2,212,293
2023		
Discount rates	50	(₱2,165,326)
	(50)	2,408,090
Future salary increases	100	2,623,065
	(100)	(2,356,199)
No attrition rate	-	2,025,162

The average duration of the Group's defined benefit obligation is 3 to 22 years in 2024 and 2023.

The maturity analysis of the undiscounted benefit payments follows:

	2024	2023
	<i>(In Thousands)</i>	
Year 1	₱4,815,372	3,638,125
Year 2	1,444,032	1,265,115
Year 3	1,433,684	1,313,298
Year 4	1,583,272	1,351,925
Year 5	2,009,818	1,848,886
Year 6 -10	12,138,889	15,029,376

The Plan assets are not matched to any specific defined benefit obligation.

26. Income Tax

The details of the Group's deferred tax assets and liabilities follow:

	2024	2023
	<i>(In Thousands)</i>	
Deferred tax assets:		
Lease liabilities	₱9,835,375	₱9,514,938
NOLCO	2,585,523	2,025,739
Unamortized past service cost and defined benefit liability	1,536,455	2,246,111
Provision for expected credit losses and others	1,488,449	1,595,198
MCIT	719,565	589,637
Excess of fair values over cost of investment properties	550,626	973,652
Accrued leases	88,386	78,715
	16,804,379	17,023,990

(Forward)

	2024	2023
	(In Thousands)	
Deferred tax liabilities:		
Unrealized gross profit on sales of real estate	P13,400,718	P11,190,690
ROU assets	8,119,913	8,059,156
Appraisal increment on investment property	4,168,865	4,326,473
Capitalized interest	3,072,494	3,169,365
Trademarks and brand names	1,470,771	1,470,771
Unamortized past service cost and defined benefit asset	84,913	13,467
Excess of fair values over cost of equity instruments	55,262	55,262
Others	417,301	406,014
	30,790,237	28,691,198
Net deferred tax liabilities	P13,985,858	P11,667,208

The net deferred tax assets and liabilities are presented in the consolidated balance sheets as follows:

	2024	2023
	(In Thousands)	
Deferred tax assets (Note 16)	P5,459,041	P6,462,108
Deferred tax liabilities	19,444,899	18,129,316
	(P13,985,858)	(P11,667,208)

The unrecognized deferred tax assets from the deductible temporary differences and carryforward benefits of NOLCO and MCIT amounted to P3.4 billion and P3.5 billion as at December 31, 2024 and 2023, respectively.

Corporate Recovery and Tax Incentives for Enterprises Act

Applying the provision of the CREATE Act, the Group computed for income tax using the following methods:

- 25% on taxable income based on itemized expense deduction
- 15% on taxable income based on optional standard deduction
- 1% minimum corporate income tax (MCIT) on gross income for three years until June 30, 2023, and 2% onwards

The reconciliation between the statutory tax rates and the Group's effective tax rate on income before income tax follows:

	2024	2023	2022
Statutory income tax rate	25%	25%	25%
Income tax effect of reconciling items:			
Equity in net earnings of associate companies and joint ventures	(9)	(9)	(9)
Interest income subjected to final tax	(1)	(1)	(1)
Others	(1)	(1)	–
Effective income tax rate	14%	14%	15%

Pillar Two Model Rules

The Organization for Economic Cooperation and Development (OECD) has published Global Anti-Base Erosion Model Rules (GLOBE Rules or Pillar Two Model Rules) which include a minimum tax rate by jurisdiction. The Pillar Two Model Rules apply to multinationals enterprises (MNEs) with annual consolidated revenues in excess of Euro 750 million in at least two (2) of the four (4) fiscal years immediately preceding the tested fiscal year. The Group is in scope for Pillar Two Model Rules and for the year ended December 31, 2024 has applied the amendments to PAS 12, *Income Taxes*, which provides a mandatory exception from recognizing or disclosing deferred taxes related to Pillar Two. The Group is still in the process of assessing the potential exposure to Pillar Two income taxes and will continue to monitor developments in the enactment of Pillar Two legislations to evaluate the potential impact on the Group's consolidated financial statements.

27. Lease Agreements

As Lessor. The Group's lease agreements with its tenants are generally granted for a term of one to twenty-five years. Upon inception of the lease agreement, tenants are required to pay certain amounts of deposits. Tenants likewise pay a fixed monthly rent which is calculated with reference to a fixed sum per square meter of area leased except for a few tenants which pay either a fixed monthly rent or a percentage of gross sales, whichever is higher.

The future minimum lease receivables under the non-cancellable operating leases follow:

	2024	2023
	(In Millions)	
Within one year	P9,553	P9,454
Over one year to five years	17,754	19,239
Over five years	7,684	4,078
	P34,991	P32,771

As Lessee. The Group leases certain parcels of land where some of its malls are situated as well as retail store, office spaces, warehouses, containers, reefer vans, ISO tanks, cargo handling equipment, transportation equipment and container yards. The terms of the lease are for periods ranging from one to fifty years, renewable for the same period under the same terms and conditions. Rental payments are generally computed based on a certain percentage of gross rental income or a certain fixed amount, whichever is higher.

There are also non-cancellable operating lease commitments with lease periods ranging from two to thirty years, mostly containing renewal options and those that provide for the payment of additional rental based on a certain percentage of sales of the sub-lessees.

The rollforward analysis of ROU assets follows:

	December 31, 2024		
	Land Use Rights	Retail Stores, Office Spaces, Warehouses and Others	Total
	<i>(In Thousands)</i>		
Cost			
As at beginning of year	P32,165,006	P32,820,909	P64,985,915
Additions	98,291	4,540,387	4,638,678
Translation adjustment	295,751	-	295,751
Reclassifications (Note 11)	(7,454)	146,073	138,619
Retirements	-	(2,790,357)	(2,790,357)
As at end of year	32,551,594	34,717,012	67,268,606
Accumulated Depreciation and Amortization			
As at beginning of year	3,064,465	13,381,038	16,445,503
Depreciation and amortization	789,958	3,378,723	4,168,681
Translation adjustment	11,908	-	11,908
Reclassifications	(7,454)	(159,643)	(167,097)
Retirements	-	(2,375,844)	(2,375,844)
As at end of year	3,858,877	14,224,274	18,083,151
Net Book Value	P28,692,717	P20,492,738	P49,185,455
		December 31, 2023	
	Land Use Rights	Retail Stores, Office Spaces and Warehouses	Total
	<i>(In Thousands)</i>		
Cost			
As at beginning of year	P26,917,044	P30,106,402	P57,023,446
Additions	10,558	3,561,726	3,572,284
Translation adjustment	(460,661)	-	(460,661)
Reclassifications (Note 11)	5,708,623	(40,779)	5,667,844
Retirements	(10,558)	(806,440)	(816,998)
As at end of year	32,165,006	32,820,909	64,985,915
Accumulated Depreciation and Amortization			
As at beginning of year	2,368,428	10,516,210	12,884,638
Depreciation and amortization	718,839	3,365,765	4,084,604
Translation adjustment	(23,937)	-	(23,937)
Reclassifications	3,282	(98,804)	(95,522)
Retirements	(2,147)	(402,133)	(404,280)
As at end of year	3,064,465	13,381,038	16,445,503
Net Book Value	P29,100,541	P19,439,871	P48,540,412

The rollforward analysis of lease liabilities follows:

	2024	2023
	<i>(In Thousands)</i>	
As at beginning of year	P35,319,736	P35,389,448
Additions	4,638,678	3,572,284
Interest expense (Note 24)	2,066,436	1,999,342
Terminations	(572,054)	(491,683)
Payments	(5,308,424)	(5,219,712)
Reclassification and others	243,608	70,057
As at end of year	36,387,980	35,319,736
Less current portion (Note 18)	3,196,427	2,977,457
Noncurrent portion	P33,191,553	P32,342,279

Following are the amounts recognized in the consolidated statements of income:

	2024	2023
	(In Thousands)	
Depreciation of ROU assets	₱4,168,681	₱4,084,604
Interest expense on lease liabilities	2,066,436	1,999,342

The Group has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased assets portfolio.

Management exercises significant judgment in determining whether these extension and termination options are reasonably certain to be exercised.

The future minimum lease payables under the non-cancellable leases follow:

	2024	2023
	(In Millions)	
Within one year	₱3,373	₱5,047
Over one year to five years	10,020	12,484
Over five years	38,093	40,606
	₱51,486	₱58,137

Included in "Tenants' deposits and others" in the consolidated balance sheets are tenants' deposits of ₱28.5 billion and ₱23.7 billion as at December 31, 2024 and 2023, respectively, and deferred output VAT of ₱16.6 billion and ₱13.8 billion as at December 31, 2024 and 2023, respectively.

28. Financial Risk Management Objectives and Policies

The Group's principal financial instruments, other than derivatives, consist of cash and cash equivalents, time deposits, financial assets at FVOCI, nontrade receivables, bonds and deposits, receivables from banks, accrued interest receivable, bank loans, long-term debt and lease liabilities. The main purpose of these financial instruments is to finance the Group's operations. The Group has other financial instruments such as receivables and accounts payable and other current liabilities, which arise directly from its operations.

The Group also enters into derivative transactions, mainly, cross-currency swaps, interest rate swaps, foreign currency call options and nondeliverable forwards. The purpose is to manage the interest rate and foreign currency risks arising from the Group's operations and its sources of finance.

The main risks arising from the Group's financial instruments follow:

- *Interest rate risk.* Fixed rate financial instruments are subject to fair value interest rate risk while floating rate financial instruments are subject to cash flow interest rate risk. Repricing of floating rate financial instruments is mostly done at intervals of three or six months.
- *Foreign currency risk.* The Group's exposure to foreign currency risk arises as the Parent Company and SM Prime have significant investments and debt issuances which are denominated in U.S. Dollars and China yuan renminbi.
- *Liquidity risk.* Liquidity risk arises from the possibility that the Group may encounter difficulties in raising funds to meet commitments from financial instruments.
- *Credit risk.* Refers to the risk that a borrower will default on any type of debt by failing to make the required payments.
- *Equity price risk.* The Group's exposure to equity price risk pertains to its investments in quoted equity shares which are classified as equity investments at FVOCI in the consolidated balance sheets. Equity price risk arises from changes in the levels of equity indices and the value of individual stocks traded in the stock exchange.

The BOD reviews and approves the policies for managing each of these risks.

Interest Rate Risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's long-term debt obligations (see Note 19).

The Group maintains a conservative financing strategy and has preference for longer tenor credit with fixed interest rate that matches the nature of its investments. To manage this mix in a cost-efficient manner, the Group enters into interest rate swaps and cross-currency swaps in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable interest amounts calculated by reference to an agreed notional amount. The interest rate swaps and cross-currency swaps were designated by the Group under cash flow hedge accounting. Furthermore, the Group applied rollover hedging strategy to some of its currency forward contracts whereby the maturity of the hedging instrument is intentionally shorter than the maturity of the hedged item, and there is an expectation that on expiry of the original hedging instrument it will be replaced by a new hedging instrument with similar characteristics of the instrument being replaced.

As at December 31, 2024 and 2023, after considering the effect of the swaps, approximately 72.8% and 78.8%, respectively of the Group's borrowings, net of debt issue cost, is kept at fixed interest rates.

Interest Rate Risk Sensitivity Analysis. The sensitivity analysis for a reasonably possible change in interest rates, with all other variables held constant, of the Group's interest-bearing debt with floating interest rates, follows:

	Increase (Decrease) in Basis Points	Effect on Income Before Tax (In Millions)
2024	100	(P125.2)
	50	(62.6)
	(100)	125.2
	(50)	62.6
2023	100	(P190.2)
	50	(95.1)
	(100)	190.2
	(50)	95.1

The assumed movement in basis points for interest rate sensitivity analysis is based on observable market conditions.

Foreign Currency Risk

The Group aims to reduce foreign currency risks by employing on-balance sheet hedges and derivatives such as foreign currency swap contracts, foreign cross-currency swaps, foreign currency call options and non-deliverable forwards.

The Group's foreign currency-denominated financial assets and liabilities and their Peso equivalents follow:

	2024		2023	
	US\$	PhP	US\$	PhP
	<i>(In Thousands)</i>			
Current assets:				
Cash and cash equivalents	\$21,312	P1,232,776	\$23,811	P1,318,435
Receivables and contract assets	1,726	99,815	1,333	73,815
Noncurrent assets:				
Time deposits	-	-	350,000	19,379,500
Total assets	23,038	1,332,591	375,144	20,771,750
Current liabilities:				
Bank loans	-	-	7,500	415,275
Accounts payable and other current liabilities	13,661	790,194	4,062	224,921
Current portion of long-term debt	-	-	349,983	19,378,549
Noncurrent liabilities:				
Long-term debt - net of current portion	14,439	835,247	4,966	274,978
Total liabilities	28,100	1,625,441	366,511	20,293,723
Net	(\$5,062)	(P292,850)	\$8,633	P478,027

As at December 31, 2024 and 2023, approximately 25.5% and 27.6%, respectively, of the Group's borrowings, net of debt issue cost, are denominated in foreign currency.

The Group recognized net foreign exchange gain of P571.9 million, P328.7 million and P209.0 million in 2024, 2023 and 2022, respectively. This resulted from movements in the closing rate of U.S. dollar against the Philippine peso as follows:

	U.S. Dollar to Peso
December 31, 2024	P57.845
December 31, 2023	55.370
December 31, 2022	55.755

Foreign Currency Risk Sensitivity Analysis. The sensitivity analysis for a reasonably possible change in U.S. Dollar to Philippine peso exchange rate, with all other variables held constant, of the Group's financial assets and liabilities denominated in foreign currency, follows:

	Appreciation (Depreciation) of Peso	Effect on Income Before Tax (In Millions)
2024	P1.50	P7.6
	1.00	5.1
	(1.50)	(7.6)
	(1.00)	(5.1)
2023	P1.50	(P12.9)
	1.00	(8.6)
	(1.50)	12.9
	(1.00)	8.6

Liquidity Risk

The Group manages its liquidity to ensure adequate financing of capital expenditures and debt service. Financing consists of internally generated funds, proceeds from debt and equity issues, and/or sale of assets.

The Group regularly evaluates its projected and actual cash flow information and assesses conditions in the financial markets for opportunities to pursue fund raising initiatives including bank loans, export credit agency-guaranteed facilities, bonds and equity market issues.

The Group's financial assets, which have maturities of less than 12 months and used to meet its short-term liquidity needs, include the following:

	2024	2023
	(In Thousands)	
Cash and cash equivalents (excluding cash on hand)	₱110,315,892	₱101,671,685
Current portion of time deposits	221,096	602,466

The maturity profile of the Group's financial liabilities follows:

	2024			
	Less than 1 Year	1 to 5 Years	More than 5 Years	Total
	(In Thousands)			
Bank loans	₱24,074,356	P-	P-	₱24,074,356
Accounts payable and other current liabilities*	187,771,661	-	-	187,771,661
Long-term debt (including current portion)**	122,941,157	326,143,962	96,785,860	545,870,979
Derivative liabilities**	99,344	56,736	-	156,080
Tenants' deposits**	300,718	6,598,694	21,172,774	28,072,186
Other noncurrent liabilities***	891	11,684,957	2,086,718	13,772,566
	₱335,188,127	₱344,484,349	₱120,045,352	₱799,717,828

*Excluding nonfinancial liabilities of ₱10.0 billion.

**Based on estimated future cash flows.

***Excluding nonfinancial liabilities amounting to ₱22.0 billion.

	2023			
	Less than 1 Year	1 to 5 Years	More than 5 Years	Total
	(In Thousands)			
Bank loans	₱13,414,239	P-	P-	₱13,414,239
Accounts payable and other current liabilities*	175,538,851	-	-	175,538,851
Long-term debt (including current portion)**	156,852,506	384,720,189	46,019,727	587,592,422
Derivative liabilities**	10,496	306,585	-	317,081
Tenants' deposits**	96,023	23,450,038	315,851	23,861,912
Other noncurrent liabilities***	-	9,834,890	2,304,661	12,139,551
	₱345,912,115	₱418,311,702	₱48,640,239	₱812,864,056

*Excluding nonfinancial liabilities of ₱10.0 billion.

**Based on estimated future cash flows.

***Excluding nonfinancial liabilities amounting to ₱20.8 billion.

Credit Risk

The Group trades only with recognized and creditworthy related and third parties. The Group policy requires customers who wish to trade on credit terms to undergo credit verification. In addition, receivable balances are monitored on a regular basis to keep exposure to bad debts at the minimum. Given the Group's diverse customer base, it is not exposed to large concentrations of credit risk.

With respect to credit risk arising from the other financial assets of the Group which consist of cash and cash equivalents, time deposits and certain derivative instruments, the Group's credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Receivables from sales of real estate have minimal credit risk and are effectively collateralized by the respective units sold since title to the real estate properties are not transferred to the buyers until full payment is made.

As at December 31, 2024 and 2023, the financial assets, except for certain receivables, are generally viewed by management as good and collectible considering the credit history of the counterparties. Past due or impaired financial assets are very minimal in relation to the Group's total financial assets.

Credit Quality of Financial Assets

The credit quality of financial assets is managed by the Group using high quality and standard quality as internal credit ratings.

High Quality. This pertains to a counterparty who is not expected to default in settling its obligations, thus credit risk is minimal. This normally includes large prime financial institutions, companies and government agencies.

Standard Quality. Other financial assets not belonging to the high quality category are included in this category.

	2024			2023		
	High Quality	Standard Quality	Total	High Quality	Standard Quality	Total
	(In Thousands)					
Cash and cash equivalents (excluding cash on hand)	P110,315,892	P-	P110,315,892	P101,671,685	P-	P101,671,685
Time deposits including noncurrent portion	3,334,566	-	3,334,566	22,927,147	-	22,927,147
Financial assets at FVOCI	24,055,919	3,100,303	27,156,222	25,530,724	1,534,894	27,065,618
Receivables and contract assets - net (including noncurrent portion of receivables from real estate buyers)*	96,183,914	9,476,991	105,660,905	86,090,325	7,966,598	94,056,923
Advances and other receivables - net (includes nontrade receivables, bonds and deposits, receivable from banks, notes receivable and accrued interest receivable under "Other current assets" account in the consolidated balance sheets)**	28,755,118	-	28,755,118	24,377,006	-	24,377,006
Escrow fund	822,019	-	822,019	843,732	-	843,732
Derivative assets (including noncurrent portion)	5,378,214	-	5,378,214	6,779,389	-	6,779,389
	P268,845,642	P12,577,294	P281,422,936	P268,220,008	P9,501,492	P277,721,500

*Excluding non-financial assets of P54.4 billion and P44.3 billion as at December 31, 2024 and 2023, respectively.

**Excluding non-financial assets of P172.6 million and P235.1 million as at December 31, 2024 and 2023, respectively.

Equity Price Risk

Management closely monitors the equity securities in its investment portfolio. Material equity investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by management.

The sensitivity analysis for a reasonably possible change in equity indices, with all other variables held constant, of the Group's investments in listed shares of stock, follows:

	Change in Equity Price	Effect on Equity (In Millions)
2024	+1.09%	P357.5
	-1.09%	(357.5)
2023	+1.63%	507.6
	-1.63%	(507.6)

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 manages its capital structure and makes appropriate adjustments based on changes in economic conditions. Accordingly, the Group may adjust dividend payments to shareholders, secure new and/or pay off existing debts, return capital to shareholders or issue new shares.

The Group monitors its capital gearing by maintaining its net debt at no higher than 50% of the sum of net debt and equity.

Net Gearing Ratio

	2024	2023
	(In Thousands)	
Bank loans	P24,074,356	P13,414,239
Long-term debt (current and noncurrent)	476,500,020	488,287,650
Less:		
Cash and cash equivalents (excluding cash on hand)	(110,315,892)	(101,671,685)
Time deposits (current and noncurrent)	(3,334,566)	(22,927,147)
Net interest-bearing debt (a)	386,923,918	377,103,057
Total equity	866,424,791	772,200,205
Net interest-bearing debt and total equity (b)	P1,253,348,709	P1,149,303,262
Gearing ratio - net (a/b)	31%	33%

Gross Gearing Ratio

	2024	2023
	(In Thousands)	
Bank loans	P24,074,356	P13,414,239
Long-term debt	476,500,020	488,287,650
Total interest-bearing debt (a)	500,574,376	501,701,889
Total equity	866,424,791	772,200,205
Total interest-bearing debt and total equity (b)	P1,366,999,167	P1,273,902,094
Gearing ratio - gross (a/b)	37%	39%

29. Financial Instruments

The Group's financial assets and liabilities by category and by class, except for those with carrying amounts that are reasonable approximations of fair values, follow:

	December 31, 2024				
	Carrying Value	Fair Value	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
(In Thousands)					
Assets Measured at Fair Value					
Financial assets at FVOCI					
Listed shares of stock	P24,027,269	P24,027,269	P24,027,269	P-	P-
Unlisted shares of stock	3,100,303	3,100,303	-	-	3,100,303
Club shares	28,650	28,650	-	28,650	-
Derivative assets	5,378,214	5,378,214	-	5,378,214	-
	32,534,436	32,534,436	24,027,269	5,406,864	3,100,303
Assets for which Fair Values are Disclosed					
Time deposits - noncurrent portion	3,113,470	3,197,356	-	3,197,356	-
	P35,647,906	P35,731,792	P24,027,269	P8,604,220	P3,100,303
Liabilities Measured at Fair Value					
Derivative liabilities	P156,080	P156,080	P-	P156,080	P-
Liabilities for which Fair Values are Disclosed					
Long-term debt (noncurrent portion and net of unamortized debt issue cost)	371,872,181	364,608,918	-	-	364,608,918
Tenants' deposits and others*	42,863,199	36,741,071	-	-	36,741,071
	414,735,380	401,349,989	-	-	401,349,989
	P414,891,460	P401,506,069	P-	P156,080	P401,349,989

*Excluding nonfinancial liabilities of P22.0 billion and noncurrent derivative liabilities of P56.7 million.

	December 31, 2023				
	Carrying Value	Fair Value	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
(In Thousands)					
Assets Measured at Fair Value					
Financial assets at FVOCI					
Listed shares of stock	P25,505,874	P25,505,874	P25,505,874	P-	P-
Unlisted shares of stock	1,534,894	1,534,894	-	-	1,534,894
Club shares	24,850	24,850	-	24,850	-
Derivative assets	6,779,389	6,779,389	-	6,779,389	-
	33,845,007	33,845,007	25,505,874	6,804,239	1,534,894
Assets for which Fair Values are Disclosed					
Time deposits - noncurrent portion	22,324,681	22,657,988	-	22,657,988	-
	P56,169,688	P56,502,995	P25,505,874	P29,462,227	P1,534,894
Liabilities Measured at Fair Value					
Derivative liabilities	P317,081	P317,081	P-	P317,081	P-
Liabilities for which Fair Values are Disclosed					
Long-term debt (noncurrent portion and net of unamortized debt issue cost)	374,758,859	362,191,802	-	-	362,191,802
Tenants' deposits and others*	36,941,440	35,731,981	-	-	35,731,981
	411,700,299	397,923,783	-	-	397,923,783
	P412,017,380	P398,240,864	P-	P317,081	P397,923,783

*Excluding nonfinancial liabilities of P20.8 billion and noncurrent derivative liabilities of P306.6 million.

There were no transfers into and out of Levels 1, 2 and 3 fair value measurements as at December 31, 2024 and 2023.

The fair values of unlisted shares of stock classified under Level 3 were determined through the income valuation approach. This valuation approach assumes that the value of any asset can be estimated by ascertaining the amount and timing of future cash flows or earnings that are generated by that asset. As at December 31, 2024 and 2023, the Group's unlisted shares of stock were valued using discount rates of 17.2% to 18.2%.

The estimated fair value of the following financial instruments is based on the discounted value of future cash flows using the prevailing interest rates. Discount rates used follow:

	2024	2023
Time deposits (noncurrent portion)	1.1% - 4.4%	2.2% - 3.9%
Tenants' deposits	1.1% - 7.0%	2.1% - 6.9%

Long-term Debt. The fair value of long-term debt is estimated based on the following assumptions:

Debt	Fair Value Assumptions
Fixed Rate	Estimated fair value is based on the discounted value of future cash flows using the applicable rates for similar types of loans. Discount rates used range from 1.1% to 8.2% and 0.1% to 8.3% as at December 31, 2024 and 2023, respectively.
Variable Rate	For variable rate loans that re-price every three months, the carrying value approximates the fair value because of recent and regular repricing based on current market rates. For variable rate loans that re-price every six months, the fair value is determined by discounting the principal amount plus the next interest payment amount using the prevailing market rate for the period up to the next repricing date. Discount rates used were 8.0% to 8.1% and 8.2% to 8.3% as at December 31, 2024 and 2023, respectively.

Derivative Instruments. The fair values are based on quotes obtained from counterparties. The rollforward analysis of the fair value changes of derivative instruments follows:

	2024	2023
	<i>(In Thousands)</i>	
Balance at beginning of year	₱6,462,308	₱9,373,106
Net changes in fair value during the year	2,598,426	(1,194,648)
Fair value on settled derivatives	(3,838,600)	(1,716,150)
	₱5,222,134	₱6,462,308

Derivative Instruments Accounted for as Cash Flow Hedges

As at December 31, 2024, the Parent Company and SM Prime have outstanding arrangements to hedge both foreign currency and interest rate exposure on its foreign currency-denominated debt. Details follow:

	Notional Amount	Agreed Equivalent	Fair Value (₱)	Interest Rate	Foreign Exchange Rate	Maturity
	<i>(In Thousands)</i>					
Parent						
Cross Currency Swaps	\$80,000	₱4,496,000	₱144,577	5.8% - 5.8%	₱56.20	2024 - 2025
Cross Currency Swaps	£90,700	6,298,557	419,143	5.7% - 5.8%	₱68.52 - ₱70.49	2025 - 2028
Principal Only Swaps	\$382,700	22,368,815	(61,968)	0.3% - 0.8%	₱58.45	2025 - 2027
SM Prime						
Foreign Exchange Forward Swaps	\$800,000	₱45,118,895	1,622,679	-	₱55.28 - ₱60.39	2025 - 2026
Interest Rate Swaps	\$670,000	-	1,629,075	2.3% - 2.7%	-	2025 - 2026
Principal Only Swaps	\$220,000	¥1,434,535	821,749	-	¥6.47 - ¥6.68	2026 - 2027
Cross Currency Swaps	\$280,000	¥1,991,925	646,877	3.4% - 3.5%	¥7.09 - ¥7.13	2029

As the terms of the swaps have been negotiated to match the terms of the hedged loans and advances, the hedges were assessed to be highly effective.

Other Derivative Instruments Not Designated as Accounting Hedges

Non-deliverable Forwards and Swaps. The net fair value changes from the settled currency forward and swap contracts recognized in the consolidated statements of income amounted to ₱8.3 million, ₱592.0 million and ₱995.0 million gain in 2024, 2023 and 2022, respectively.

30. EPS Computation

	Years Ended December 31		
	2024	2023	2022
	<i>(In Thousands Except Per Share Data)</i>		
Net income attributable to owners of the Parent (a)	₱82,608,707	₱76,989,043	₱61,653,665
Weighted average number of common shares outstanding (b)	1,222,023	1,222,023	1,211,846
Basic/Diluted EPS (a/b)	₱67.60	₱63.00	₱50.88

31. Change in Liabilities Arising From Financing Activities

	2024		
	Bank Loans (Note 17)	Long-term Debt (Note 19)	Lease Liabilities (Note 27)
	<i>(In Thousands)</i>		
Balance at beginning of year	₱13,414,239	₱488,287,650	₱35,319,736
Availments	105,535,009	112,875,555	–
Payments	(94,961,213)	(131,653,274)	(5,308,424)
Cumulative translation adjustment on cash flow hedges	228,705	2,441,126	–
Foreign exchange movement	(142,384)	4,231,634	–
Others	–	317,329	6,376,668
Balance at end of year	₱24,074,356	₱476,500,020	₱36,387,980

	2023		
	Bank Loans (Note 17)	Long-term Debt (Note 19)	Lease Liabilities (Note 27)
	<i>(In Thousands)</i>		
Balance at beginning of year	₱20,811,524	₱484,896,917	₱35,389,448
Availments	45,599,966	107,590,529	–
Payments	(52,906,823)	(103,343,041)	(5,219,712)
Cumulative translation adjustment on cash flow hedges	(86,678)	(1,609,567)	–
Foreign exchange movement	(3,750)	408,406	–
Others	–	344,406	5,150,000
Balance at end of year	₱13,414,239	₱488,287,650	₱35,319,736

	2022		
	Bank Loans (Note 17)	Long-term Debt (Note 19)	Lease Liabilities (Note 27)
	<i>(In Thousands)</i>		
Balance at beginning of year	₱27,167,173	₱445,325,439	₱33,691,435
Availments	66,878,421	100,256,801	–
Payments	(73,264,105)	(72,630,533)	(4,853,925)
Cumulative translation adjustment on cash flow hedges	5,535	2,229,038	–
Foreign exchange movement	–	9,718,606	–
Business combination (Note 5)	24,500	22,183	–
Others	–	(24,617)	6,551,938
Balance at end of year	₱20,811,524	₱484,896,917	₱35,389,448

There are no non-cash changes in accrued interest and dividends payable. Others include debt accretion, debt issue cost amortization and lease liability additions.



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