COVER SHEET
for
SEC FORM 17-A

SEC Registration Number

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Company Name

SM PRIME HOLDINGS, INC. AND SUBSIDIARIES

Principal Office (No./Street/Barangay/City/Town/Province)

7/F MOA Square, Seashell Lane cor. Coral Way, Mall of Asia Complex, Brgy. 76 Zone 10, CBP 1-A, 1300 Pasay City, Metro Manila, Philippines

Form Type	Department requiring the report	Secondary License Type, If Applicable
17-A		

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
	8831-1000	

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
2,330		**December 31**

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
John Nai Peng C. Ong	**john.ong@smprime.com**	**8831-1000**	

Contact Person's Address

7/F MOA Square, Seashell Lane cor. Coral Way, Mall of Asia Complex, Brgy. 76 Zone 10, CBP 1-A, 1300 Pasay City, Metro Manila, Philippines

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

SECURITIES AND EXCHANGE COMMISSION

SRC FORM 17-A

ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE

1. For the calendar year ended **DECEMBER 31, 2023**

2. SEC Identification Number **AS094-000088**

3. BIR Tax Identification No. **003-058-789**

4. Exact name of registrant as specified in its charter **SM PRIME HOLDINGS, INC.**

5. **PHILIPPINES**
   Province, Country or other jurisdiction of incorporation or organization

6. (SEC Use Only)
   Industry Classification Code:

7. **7/F MOA Square, Seashell Lane cor. Coral Way, Mall of Asia Complex, Brgy. 76 Zone 10, CBP 1-A, Pasay City, Metro Manila, Philippines** **1300**
   Address of principal office Postal Code

8. **(632) 8831-1000**
   Registrant's telephone number, including area code

9. **10th Floor, Mall of Asia Arena Annex Building, Coral Way cor. J.W. Diokno Blvd., Mall of Asia Complex, Brgy. 76, Zone 10, CBP-1A, Pasay City, Philippines**
   Former name, former address, and former fiscal year, if changed since last report.

10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Shares	**28,879,231,694**
Retail Bonds	**₱135,432,740,000**

11. Are any or all of these securities listed on a Stock Exchange.
    Yes [**X**] No [ ]

    If yes, state the name of such stock exchange and the classes of securities listed therein:
    Philippine Stock Exchange **Common Shares**

12. Check whether the registrant:
    (a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding 12 months (or for such shorter period that the registrant was required to file such reports);

    Yes [**X**] No [ ]

    (b) has been subject to such filing requirements for the past 90 days.
    Yes [**X**] No [ ]

13. Aggregate market value of the voting stock held by non-affiliates: ₱330,372,828,055

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PART I - BUSINESS AND GENERAL INFORMATION

ITEM 1. Business

Business Development and Principal Products or Services

SM Prime Holdings, Inc. (SMPH or the Parent Company) was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on January 6, 1994. SMPH and its subsidiaries (collectively known as the Company or SM Prime) are incorporated to acquire by purchase, exchange, assignment, gift or otherwise, and to own, use, improve, subdivide, operate, enjoy, sell, assign, transfer, exchange, lease, let, develop, mortgage, pledge, traffic, deal in and hold for investment or otherwise, including but not limited to real estate and the right to receive, collect and dispose of, any and all rentals, dividends, interest and income derived therefrom; the right to vote on any proprietary or other interest on any shares of stock, and upon any bonds, debentures, or other securities; and the right to develop, conduct, operate and maintain modernized commercial shopping centers and all the businesses appurtenant thereto, such as but not limited to the conduct, operation and maintenance of shopping center spaces for rent, amusement centers, movie or cinema theatres within the compound or premises of the shopping centers, to construct, erect, manage and administer buildings such as condominium, apartments, hotels, restaurants, stores or other structures for mixed use purposes.

SMPH's shares of stock are publicly traded in the Philippine Stock Exchange (PSE).

The Company's ultimate parent company is SM Investments Corporation (SMIC). SMIC is a Philippine corporation whose common shares is listed with the PSE in 2005. SMIC and all its subsidiaries are herein referred to as the "SM Group".

The registered office and principal place of business of the Parent Company is at 7/F MOA Square, Seashell Lane cor. Coral Way, Mall of Asia Complex, Brgy. 76 Zone 10, CBP 1-A, 1300 Pasay City, Metro Manila, Philippines.

The subsidiaries of the Parent Company are as follows:

Company	Date and Place of Incorporation	Percentage of Ownership
Mall		
A. Canicosa Holdings, Inc.	October 10, 2008, Philippines	100.0
AD Canicosa Properties, Inc.	October 10, 2008, Philippines	100.0
Associated Development Corporation	May 26, 1950, Philippines	100.0
Britannia Trading Corp. and Subsidiaries	June 15, 2001 Philippines	100.0
CHAS Realty and Development Corporation and Subsidiaries	January 31, 1995, Philippines	100.0
Cherry Realty Development Corporation	October 28, 1977, Philippines	100.0
Consolidated Prime Dev. Corp.	April 7, 1998, Philippines	100.0
Magenta Legacy, Inc.	November 30, 2006, Philippines	100.0
Premier Central, Inc. and Subsidiary	March 16, 1998, Philippines	100.0
Premier Southern Corp.	March 25, 1998, Philippines	100.0
Prime Metroestate, Inc. and Subsidiary	June 1, 1995, Philippines	100.0

Company	Date and Place of Incorporation	Percentage of Ownership
Prime_Commercial Property Management Corp. and Subsidiaries	November 6, 2009, Philippines	100.0
Rushmore Holdings, Inc.	April 14, 1994, Philippines	100.0
San Lazaro Holdings Corporation (SLHC)	March 7, 2001, Philippines	100.0
Simply Prestige Limited and Subsidiaries	April 23, 2013, British Virgin Islands	100.0
SM Arena Complex Corporation	March 15, 2012, Philippines	100.0
SM Land (China) Limited and Subsidiaries	August 9, 2006, Hong Kong	100.0
Southernpoint Properties Corp.	June 10, 2008, Philippines	100.0
Springfield Global Enterprises Limited	September 6, 2007, British Virgin Islands	100.0
Supermalls Transport Services, Inc.	January 25, 2017, Philippines	100.0
First Asia Realty Development Corporation	September 7, 1987, Philippines	74.2
Mindpro, Incorporated	July 3, 1970, Philippines	70.0
First Leisure Ventures Group Inc. (FLVGI)	March 28, 2007, Philippines	50.0
Residential		
SM Development Corporation and Subsidiaries (SMDC)	July 18, 1974, Philippines	100.0
Costa del Hamilo Inc. and Subsidiary (CDHI)	September 26, 2006, Philippines	100.0
Highlands Prime, Inc. and Subsidiary	February 15, 2001, Philippines	100.0
Commercial		
MOA Esplanade Port, Inc.	December 5, 2014, Philippines	100.0
Premier Clark Complex, Inc.	May 29, 2019, Philippines	100.0
SM Smart City Infrastructure and Development Corporation (SM Smart City)	August 27,2019, Philippines	100.0
Tagaytay Resort Development Corporation	August 29, 1988, Philippines	100.0
Hotels and Convention Centers		
SM Hotels and Conventions Corp. and Subsidiaries	April 2, 2008, Philippines	100.0

The Company has four business units or segments, namely malls, residential, commercial and hotels and convention centers. The contribution of each of the business units as of and for the year ended 2023 are as follows:

	Malls	Residential	Commercial	Hotels and Convention Centers	Eliminations	Consolidated Balances
			(In Thousands)			
Revenue:						
External customers	₱71,946,036	₱43,100,208	₱6,781,687	₱6,269,610	₱–	₱128,097,541
Inter-segment	176,623	–	115,067	18,108	(309,798)	–
	₱72,122,659	₱43,100,208	₱6,896,754	₱6,287,718	(₱309,798)	₱128,097,541
Segment results:						
Income before income tax	₱30,123,686	₱13,980,341	₱4,440,189	₱1,510,564	(₱214,961)	₱49,839,819
Provision for income tax	(5,690,732)	(2,292,182)	(715,095)	(277,965)	–	(8,975,974)
Net income	₱24,432,954	₱11,688,159	₱3,725,094	₱1,232,599	(₱214,961)	₱40,863,845
Net income attributable to:						
Equity holders of the Parent	₱23,593,802	₱11,673,967	₱3,725,094	₱1,232,599	(₱214,961)	₱40,010,501
Non-controlling interests	839,152	14,192	–	–	–	853,344
Segment assets	₱473,704,969	₱344,557,303	₱109,171,158	₱17,711,201	(₱1,817,056)	₱943,327,575
Segment liabilities	₱323,926,223	₱195,426,558	₱25,596,386	₱1,308,428	(₱1,817,056)	₱544,440,539
Other information:						
Capital expenditures	₱37,253,756	₱25,436,310	₱23,733,455	₱1,752,397	₱–	₱88,175,918
Depreciation and amortization	11,371,327	131,347	1,536,430	617,669	–	13,656,773

Further details relating to business segment data are disclosed in Note 4 of the attached audited consolidated financial statements.

As of December 31, 2023, the Company had a market capitalization of ₱950,127 million.

Enterprise Risk Management

SM Prime's Enterprise Risk Management (ERM) augments and supports strategy selection, by being integrated from the strategic planning phase. This integration enhances structured decision making and through this, a balanced approach to the Company strategy is achieved. It also supports in the allocation of resources and ensures these are in line with the mission and vision of the Company. The Enterprise Risk Management Framework includes Board Oversight, Independent Audit and Third-Party Reviews, and the Internal Control Framework. These are essential to the success of the risk management cycle, which is impossible without a risk-conscious workforce involved from risk identification and assessment, to responding, devising action plans, and monitoring and reporting. It makes the entire cycle holistic by recognizing that stakeholder involvement and as well as external factors are involved in the risk management process.

The Board, through its Risk Oversight Committee (ROC), is responsible for the oversight of the Company's Enterprise Risk Management system to ensure its functionality and effectiveness. At the management level, the ERM is headed by the Chief Risk Officer (CRO). The CRO is responsible for leading the formulation of risk management policies, methodologies, and metrics in alignment with the overall business strategy of the Company, ensuring that risks are prudently and rationally assessed, managed and monitored. The CRO and the ERM team facilitates risk management learning programs and promote best practices on an enterprise-wide basis.

The Executive Committee provides further oversight on the identification and assessment of risk impacts on the strategic and long-term goals of the Company. The business unit heads are responsible for managing operational risks by implementing internal controls within their respective units. On a quarterly basis, the ROC is updated on the status of risk management and risk mitigation plans of the Company based on the presented general risks and business units' specific risks. Action plans to respond to the various enterprise risks include mitigate, transfer, tolerate, and avoid or terminate. Specific action plans relating to these four (4) responses include investment in innovations or new technology, provision of further training to employees, management review and monitoring, performance of regular audits, establishment and implementation of policies, constant partnerships with various stakeholders, and designing and implementing controls, among others.

SM Prime follows an eight-step Risk Management Approach, which starts from the identification and prioritization of risks, to the assessment of risk interrelationship and analysis of the sources of risks, then to the development of risk management strategies and action plans, and ultimately, to the monitoring and continuous improvement of the risk management process. To ensure that controls and risk treatment plans are in place and functioning effectively as intended, independent reviews are regularly carried out by Internal Audit, external auditors, and regulatory examiners.

SM Prime Key Risks

Safety and Security Risk	SM Prime prioritizes safety and security in all its properties and requires all its Business Units to have Emergency Response Procedures in place. The safety and security system implemented in malls' properties is audited annually by third parties. This gives the Company confidence that risks related thereto are adequately mitigated, and any area that needs improvement is identified and addressed. With regard to safety risk management, the Company has instituted several programs aimed at promoting the health and well-being of the employees and the public. Health and safety programs include institutional annual physical exams, health bulletins, wellness talks, onsite retainer doctors and nurses, among others. To complement the presence of medical practitioners, the Customer Relations Services (CRS) introduced the SM Emergency Response Team (SMERT). The SMERT members are trained first-aiders who can assist employees and the public whenever there is an emergency. The Company regularly participates in Fire Safety and Earthquake Drills conducted by different government agencies.
Climate Risk	The Company's Board of Directors place an emphasis on mitigating Climate Risk and has instituted numerous programs to improve its climate disaster risk reduction and resiliency. The Company continued investing in disaster-resilient buildings and allocated capital expenditure for sustainable design and other disaster risk reduction-related investments. The Company aims to reduce greenhouse gas emissions by shifting its demand for electricity sources to renewable energy sources and to institute other programs by reducing energy and water consumption in its properties. SM Prime demonstrates its commitment in its innovations on energy and carbon emission reduction. By operating with less use of energy, it decreases the need for fossil fuels, which lowers atmospheric carbon dioxide levels. Thus, it contributes in curbing the impact of climate change such as heat waves, droughts, rising sea levels, unusual weather patterns, and a heightened probability of natural disasters. In compliance with RA 11285 or the "Energy Efficiency and Conservation Act", the Company has measures to improve the energy efficiency and conservation of its facilities. SM Supermalls achieved an energy efficiency index below the recommended ASEAN standards for retail establishments. Through the conduct of an energy audit, this helped create baseline energy indicators and identify energy efficiency opportunities such as procurement of energy-efficient equipment and increase in the adoption of renewable energy sources.

	Further, the Company integrated passive design concepts in its properties, such as infiltration protection control, and addition of plants to surrounding areas on the properties which contribute to cooling effect, and in turn, reduce the need for cooling energy produced by air-conditioning systems. SM Prime also led in the installation of the Electric Vehicle Charging Stations (EVCS) in multiple properties, to support and align with Republic Act 11697 (Electric Vehicle Industry Development Act or EVIDA). As of 2023, malls and commercial property group have EVCS installed throughout the nation to promote the use of electric vehicles. Ultimately, this program contributes to lowering carbon emissions with the transition of traditional car users to an environmentally friendly alternative.
Operational Process Risk	The Business Process Management Team reviews business processes and initiates the creation of tools that enhance operational efficiency. The Company adopts globally recognized quality standards, which drive operational excellence through revenue and expense management. Further, it is committed to continue improving on currently existing effective and efficient processes to ensure operational efficiency of all Business Units. Policies are established to institutionalize best practice and ensure these are accepted by all process owners. Memoranda are also regularly issued to address any ambiguity on policies, reiterations, or adjustments when circumstances require. Improvements to processes are regularly examined and implemented by the Business Units to support and cater to the people who participate in it better. This is reflected in the various automation systems and portals to centralize, elevate efficiency, and streamline work to increase quality of life and outputs.
Economic Risk	The Company strives to maintain competitive in the industry by focusing on innovative developments and expanding market share while maintaining a customer-centric approach. Diversification of target markets to minimize exposure and building of rapport and relationship with local and national bodies are also undertaken to address market instability and uncertainty of local and national policies. In addressing inflation, the Company's internal engineering group performs weekly construction review meeting, ensuring continuous research for new materials, technologies and methodologies, implements physical hedging for owner-supplied materials, contingency allowances, continuous strong partnership with suppliers, phasing of project developments to manage the cash flow, etc.
Financial Risk	The Company also manages credit risk in its customer transactions. This is done in line with policies and procedures established relating to the handling of credit risk. Typically, the management of credit risk involves the assessment of quality of customer's credit, and defining limits based on such assessment. A conservative approach is applied to manage Financial Risks specifically Foreign Exchange and Interest Rates. Majority of SM Prime loans are fixed interest rate loans, which shields the Company against the effects of fluctuating interest rates. The management of foreign exchange risk is done by utilizing derivative financial instruments serving as hedge to exposures in variability in cash flows attributable to foreign currency risk in firm commitment. Similarly, the same instruments are used to

	hedge interest rate risks. The Company's derivative financial instruments include cross currency swaps, principal only swaps, interest rate swaps and foreign exchange forward swaps.
Information Security and Information Technology Risk	The Board stresses the importance of prudent Information Technology (IT) risk management. The CRO reports to the Board the status of risk management, risk mitigation plans and issues, if any, of the Company particularly on the implementation of its continuity plans, backup procedures, protection against damaging code and malicious activities, defined and specific system access control, information rights management, IT accounts governance, endpoint protection, incident management and reporting, among others. Through periodic risk assessments, threats to assets are identified, vulnerability to and likelihood of occurrence are evaluated, and potential impact are estimated in the areas of network, operating system, application and database in production. Specifically, system vulnerability assessments and penetration testing are performed regularly. This is critically important in proactively detecting and addressing threats and vulnerabilities, and enhancing system's defenses. In terms of cyber security management, the Company has adopted globally accepted standards to employ a similar global approach of cyber security strategies within the organization. Moreover, Security Operations Center is in place to monitor, prevent, detect, investigate, and respond to cyber threats to various attack surfaces, which can potentially impact SM Prime. In coordination with Human Resources, risk awareness campaigns and learning programs including various information security modules, and risk management best practices are effectively communicated through various internal channels to employees.
Social Risk	Social Risks are managed by continuously engaging our customers and the community through satisfaction surveys, maximizing social media communications and demographic analysis. Through these channels of engagement, the Company has a better understanding of how to serve the community such as promotion of equal opportunities and inclusivity for persons with special needs, senior citizens, women and indigenous people. For business partners, employment practices are based on criteria that places value on quality of service, cost efficiency, moral standing and compliance with related laws.
Regulatory Compliance Risk	Compliance risk is addressed and managed by the compliance function and its component system and programs. The Company continuously strives to comply with all regulatory requirements both on the local and national level and uses a risk-based approach to monitor, evaluate and improve its ability to ensure compliance in a landscape that is subject to disruption and rapid change. Compliance functions are carried out by the Compliance Office through its various business units' lead and is headed by the Chief Compliance Officer, who is not a member of the Board of Directors. Each business segment considers the impact to operations and business risk of noncompliance. Overall enforcement is through self-regulation within the business units, and independent reviews conducted by the Compliance Office and Internal Audit. The Corporate Compliance Group (CCG) promotes adherence to and awareness of laws, rules and regulations by electronically posting information and documents, and maintains a monitoring database that is accessible to all employees. Regular meetings are conducted to discuss the impact of new regulations and decide on the required compliance measures. Through continued liaison and dialogue with regulators, CCG

	ensures the prompt dissemination of new regulations and other developments affecting Company operations. Further, specialized teams are utilized to leverage on compliance risk management, showing how current teams are maximized to integrate compliance functions and promote compliance. As a company engaged in the development of real property for sale or lease, the Company is a covered person of the Anti-Money Laundering Act (AMLA). SM Prime dutifully completed the registration process and adopted a Money Laundering and Terrorist Financing Prevention Program (MTPP) that was duly approved by the Board of Directors. In line with this, the "Capacity Building Learning Modules for Designated Non-Financial Businesses and Professions (DNFBPs)" training was conducted for front liners with key support functions to implement the program. The module includes: (a) Fundamentals of Money Laundering and Terrorism Financing, (b) Risk Management System and Preventive Measures and (c) Money Laundering and Terrorism Financing Prevention Program (MTPP). SM Prime has also established a comprehensive Data Privacy Program utilizing a combination of policies, organizational structure, access controls and technologies designed for risk reduction. The Board-appointed Data Protection Officer (DPO) oversees data privacy compliance and manages data protection risks for the organization consistent with the Data Privacy Act rules and regulations, issuances by the National Privacy Commission and other applicable laws. The Company recognizes that anti-money laundering and information risks are inherent in its operations throughout its multiple Units.
Property Damage and Business Disruption Risk	To manage risks that arise and are inherent to managing properties and conducting business on these properties, the Company secures various types of insurance. The Company's insurance function primarily aims to ensure adequate coverage on its properties and activities, with risks to operational and financial positions. This coverage includes material damage caused by natural threats or disasters and even manmade threats. In line with the scope of insurance, the Company engages a reputable insurance broker and insurance companies duly accredited by the Insurance Commission. The Company has implemented a Business Continuity Management System (BCMS). This system assures tenants, suppliers, and other external or internal stakeholders in two (2) areas: (a) processes are in place that aims to prevent property damage that may lead to business disruptions for the Company and the stakeholders; (b) should property damage occur and the damage results in business disruption, the Company's operations team has the required competencies to handle, respond, and continue operations in the occurrence of such disruptive events. The Company has continued to cascade and implement BCMS to all its malls to ensure it continuously meets its commitments and provide continued operation of critical business functions when circumstances necessitate it. Annually, the Company's malls undergo ISO 22301 (BCMS) Certification. The Company engages a third-party assessor, TÜV SÜD PSB Philippines, to assess the organization's compliance with the ISO 22301:2019 standard. As of 2023, a total of seventy-seven (77) malls have been BCMS-certified. The roll out of the BCMS is consistently within the set target based on the Five-Year Roadmap, wherein the specific targets on the

	percentage of malls to be covered is achieved. By the end of 2024, it is projected that a total of seventy-nine (79) malls will be certified.

Governance, risk management, and control systems are subject to the independent, objective, reasonable, systematic and disciplined evaluation by its Internal Audit group. To maintain independence, Internal Audit reports functionally to the Board of Directors, through the Audit Committee, and administratively to the President. As such, the appointment and removal of the Internal Auditor requires the approval of the Audit Committee, as provided in the Committee's Charter.

External auditor is engaged to perform an independent audit and provide an objective assurance on the fairness and presentation of the Company's financial statements. The external audit partner is rotated every seven (7) years or earlier, and any non-audit work should not be in conflict with the functions of the external auditor. Considering this and other relevant matters, the Audit Committee has the responsibility to make a well-informed recommendation regarding the appointment, re-appointment or removal of the external auditor.

Further, non-executive directors of SM Prime meet with the External Auditor at least once annually without the presence of any management personnel or executive to verify that the external auditor was provided sufficient access to records and information for their audit of the financial statements the Company and to discuss issues which the audit team would like to bring to the attention of the non-executive directors of the Company.

Competition

The Parent Company and its subsidiaries compete with other companies in the industry segments in which they operate. The Company believes that each of its subsidiaries has strong competitive advantages over the other industry players. In addition, the strong synergy created by the complimenting businesses of the individual subsidiaries has further reinforced each subsidiary's preparedness to face stiff competition in the coming years.

Suppliers

The Company has a broad range of suppliers, both local and foreign.

Customers/Clients

The Company is not dependent on a single or a few customer/client base. It has a broad base of local and foreign, and corporate and individual customers/clients.

Intellectual Property

SM Prime has intellectual property rights on the use of various trademark and names for each of its mall, commercial and residential development projects. The "SM" name is owned by SMIC and is registered with the Philippine Intellectual Property Office (IPO). SM Prime owns the trademark "SM Prime" which registration is set to expire in 2030. SMDC owns the trademark "SM Development Corporation" and "SMDC", which registration will expire in 2028 and 2032, respectively. Most of SM Prime's projects have been issued a Certificate of Registration by the IPO. SM Prime believes that its trademark and the names of its development projects play a significant role in its effort to create brand recall and strengthen its position in the industry.

Transactions With and/or Dependence on Related Parties

The Company, in the regular course of trade or business, enters into transactions with affiliates/ related companies principally consisting of leasing agreements, management fees and cash placements. Generally, leasing and management agreements are renewed on an annual basis and are made at normal market prices.

Please refer to Note 19 of the accompanying audited consolidated financial statements of the Company for the description of related party transactions of SM Prime.

Governmental regulations and environmental laws

The Company has always been committed towards sustainable and responsible business practices in all stages of its operations. SM Prime is substantially compliant to all regulatory requirements from the start of construction and all throughout its business operations.

The Company constructs and develops real estate properties while consciously minimizing environmental impact and preserving natural resources. Simultaneously with its daily operations, the Company meticulously measures and manages resource consumption patterns in consideration of the communities where the Company operates. These core operational sustainability efforts center on energy efficiency, water resource management, air quality and solid waste management. Furthermore, SM Prime hosts a portfolio of activities and programs to spread awareness on various socio-environmental concerns and celebrate numerous cultural celebrations around the country throughout the year. In line with these efforts, the Company operates beyond the levels of regulatory compliance, ensures that it meets all governmental, environmental, health and safety requirements and aligns shared value initiative and efficiency efforts with international standards. The Company also has processes in place to monitor compliance to all government requirements and keeps abreast of the latest developments in regulations concerning the real estate industry.

The Company incurs costs that are standard in compliance with environmental laws. SM Prime also allocates 10% of its capital expenditure to integrate disaster-resilient features in its property design and construction.

Employees

As of December 31, 2023, SM Prime had 10,982 regular employees. The Company's employees are not subject to any collective bargaining agreement.

ITEM 2. Properties

A. MALLS

SM Prime's mall business unit operates and maintains modern commercial shopping malls and is involved in all related businesses, such as the operation and maintenance of shopping spaces for rent, amusement centers and cinema theaters. Its main sources of revenues include rental income from leases in mall and food court, cinema ticket sales and amusement income from bowling and ice skating. As of December 31, 2023, the malls business unit has eighty-five malls in the Philippines with 9.2 million square meters (sq. m.) of gross floor area (GFA) and eight shopping malls in China with 1.6 million sq. m. of GFA.

In 2023, SM Prime's mall business unit opened three malls in the Philippines namely, SM City Bataan in Bataan, SM Center San Pedro in Laguna and SM City Sto. Tomas in Batangas. The Company also opened one mall in China namely SM City Yangzhou. These new malls, plus the expansion of the Company's existing malls, provided an addition of 0.4 million sq. m. of GFA.

In 2024, the Company intends to launch four new malls in the Philippines namely, SM City Caloocan, SM City J Mall (Mandaue City, Cebu), SM City San Fernando La Union and SM City Laoag. These new malls will provide an addition of more than 0.4 million sq. m. of GFA.

The Company also owns and operates amusement parks, an arena, and various buildings across the country. The major tenant of these buildings is the SM Retail Group.

The Company retains ownership of all the sites on which the malls properties are built, except for the sites or portion of the sites of the following:

Philippines	
SM City Bacoor	SM City Naga
SM City Manila	SM City Tarlac
SM Center Valenzuela	SM City San Pablo
SM City Molino	SM City Calamba
SM Center Pasig	SM City Olongapo
SM City Clark	SM City Consolacion
SM City Taytay	SM City San Mateo
SM Aura Premier	SM City Pampanga
SM City Masinag	SM City Daet
SM City Baguio	SM City Dasmariñas
SM By the Bay	SM Makati
SM Cubao	SM Delgado
SM Savemore Nagtahan	SM Savemore Jaro
SM Marketmall Dasmariñas	SM Hypermarket Sucat-Lopez
SM Center Muntinlupa	

China	
SM Xiamen	SM City Chongqing
SM City Jinjiang	SM City Zibo
SM City Chengdu	SM City Tianjin
SM City Suzhou	SM City Yangzhou

SM China malls have 40-70 years land use rights. In addition, the land where SM City Baguio is constructed is owned by SMIC, the land where SM Savemore Nagtahan is constructed is owned by Nagtahan Property Holdings, Inc., a subsidiary of SMIC. The land where SM City San Lazaro is constructed is owned by SLHC. SM by the Bay is owned by FLVGI. Lease renewal options are subject to mutual agreement of the parties.

Please refer to Note 25 of the accompanying audited consolidated financial statements for further details on lease agreements.

B. RESIDENTIAL

SM Prime's revenue from residential operations is derived largely from high-rise buildings, mid-rise buildings and single-detached house and lots.

As of December 31, 2023, primary residential business unit has sixty-seven residential projects, forty-seven of which are in Metro Manila and twenty are outside Metro Manila.

In 2023, SM Prime's residential business unit launched three residential development in the Philippines, namely, Jade Residences in Makati City, Turf Residences in Laguna and Parkville in Bacolod.

SM Prime also owns leisure and resort developments including properties located in Tagaytay Highlands and Tagaytay Midlands in Laguna, Tagaytay City and Batangas.

In addition, SM Prime is the developer of Pico de Loro Cove, the first residential community within Hamilo Coast, a master planned coastal resort township development in Nasugbu, Batangas encompassing 13 coves and 31 kilometers of coastline.

C. COMMERCIAL

SM Prime's commercial business unit is engaged in the development and leasing of office buildings in prime locations in Metro Manila and in the provinces, as well as the operations and management of such buildings and other property holdings. As of December 31, 2023, SM Prime has eighteen office buildings with a combined GFA of almost 1.6 million sq. m.

D. HOTELS AND CONVENTION CENTERS

As of December 31, 2023, the hotels and convention center business unit is composed of ten hotels with 2,602 saleable rooms and six convention centers and two trade halls.

In October 2023, SM Prime opened its 10^{th} hotel namely Lanson Place Mall of Asia.

Land bank

The Company continues to invest in properties that it believes are in prime locations across the Philippines for existing and future property development projects. It is important to the Company to have access to a steady supply of land for future projects.

Potential land acquisitions are evaluated against a number of criteria, including the attractiveness of the acquisition price relative to the market and the suitability or the technical feasibility of the planned development. The Company identifies land acquisitions through active search and referrals.

As of December 31, 2023, SM Prime's extensive land bank good for the next 5 to 7 years are as follows:

	Hectares
Malls	353
Primary Residences	1,345
Leisure Homes	508
Commercial	118
Total	**2,324**

Other properties that the Company intends to acquire are still under review, depending on factors such as demographics and accessibility to public transport.

ITEM 3. Legal Proceedings

There were no material proceedings as of December 31, 2023.

ITEM 4. Submission of Matters to a Vote of Security Holders

Aside from agenda matters voted on during the Company's Annual Stockholders' Meeting, there were no matters submitted to a vote of stockholders during the calendar year covered by this report.

PART II - OPERATIONAL AND FINANCIAL INFORMATION

ITEM 5. Market for Registrant's Common Equity and Related Stockholder Matters

CASH DIVIDEND PER SHARE - ₱0.237 in 2023, ₱0.097 in 2022 and ₱0.082 in 2021.

As of the date of this report, cash dividends for 2024 have not yet been declared. This will be discussed in a Board meeting prior to the annual stockholders' meeting.

	2023		2022	
Stock Prices	High	Low	High	Low
First Quarter	₱38.90	₱32.80	₱39.90	₱33.10
Second Quarter	35.10	32.10	40.05	33.30
Third Quarter	34.25	27.70	39.00	29.70
Fourth Quarter	34.55	29.55	37.00	29.80

The Company's shares of stock are traded in the PSE.

As of December 31, 2023, the closing price of the Company's shares of stock is ₱32.90/share.

The number of shareholders of record as of December 31, 2023 was 2,330. Capital stock issued and outstanding as of December 31, 2023 was 28,856,411,418, net of shares held by a subsidiary.

In 2023, the Board of Directors approved the declaration of cash dividends of ₱0.237 per share or ₱6,844 million to stockholders of record as of May 10, 2023. This was paid on May 24, 2023. In 2022, the Board of Directors approved the declaration of cash dividends of ₱0.097 per share or ₱2,801 million to stockholders of record as of May 11, 2022. This was paid on May 24, 2022.

The Board determines the dividend payout taking into consideration the Company's operating results, cash flows, capital investment needs and debt servicing requirements. The Company's dividend guideline is to declare annual cash dividends equivalent to 30%-35% of prior year earnings and will endeavor to continue doing so while ensuring financial flexibility. Dividends shall be paid within thirty (30) days from the date of declaration.

As of December 31, 2023, and 2022, there are no restrictions that would limit the ability of the Company to pay dividends to the common stockholders, except with respect to Note 18 of the audited consolidated financial statements.

The top 20 stockholders of the Company as of December 31, 2023 are as follows:

Name		No. of Shares Held	% to Total
1.	SM Investments Corporation	14,353,464,952	49.7017
2.	PCD Nominee Corp. (Non-Filipino)	6,981,586,611	24.1751
3.	PCD Nominee Corp. (Filipino)	3,019,989,585	10.4573
4.	Harley T. Sy	691,378,895	2.3940
5.	Hans T. Sy	682,162,901	2.3621
6.	Teresita T. Sy	667,272,021	2.3106
7.	Elizabeth T. Sy	667,166,537	2.3102
8.	Herbert T. Sy	666,953,011	2.3095
9.	Syntrix Holdings, Inc.	317,827,673	1.1005
10.	Sysmart Corporation	317,775,948	1.1004
11.	Henry T. Sy, Jr.	291,611,915	1.0098
12.	Cutad, Inc.	19,694,544	0.0682
13.	HSBB, Inc.	19,694,400	0.0682
14.	William T. Gabaldon	1,500,000	0.0052
15.	Henry III Tamesis Sy	912,575	0.0032

Name		No. of Shares Held	% to Total
16.	Lucky Securities, Inc.	900,000	0.0031
17.	Jose T. Tan &/or Pacita L. Tan	892,126	0.0031
18.	Jasmin T. Sy	855,607	0.0030
19.	Senen Mendiola	800,763	0.0028
20.	Deborah Pe	781,909	0.0027

The Company registered with the Securities and Exchange Commission (SEC) the ₱35.00 billion fixed rate bonds issued on May 23, 2023 with actual proceeds amounting to ₱33.30 billion. The issue consists of the 2.5-year or Series S Bonds amounting to ₱16.03 billion with a fixed interest equivalent to 6.2069% per annum due on 2025, the 4-year or Series T Bonds amounting to ₱6.24 billion with a fixed interest equivalent to 6.2151% per annum due on 2027 and the 6-year or Series U Bonds amounting to ₱11.03 billion with a fixed interest equivalent to 6.3275% per annum due on 2029.

The Company registered with the SEC the ₱30.00 billion fixed rate bonds issued on April 22, 2022. The issue consists of the 5-year or Series P Bonds amounting to ₱10.92 billion with a fixed interest equivalent to 5.6141% per annum due on 2027, the 7-year or Series Q Bonds amounting to ₱13.03 billion with a fixed interest equivalent to 6.1175% per annum due on 2029 and the 10-year or Series R Bonds amounting to ₱6.05 billion with a fixed interest equivalent to 6.5432% per annum due on 2032.

There are no other recent sales of unregistered or exempt securities, including recent issuance of securities constituting an exemption transaction.

The Company currently has no other registered debt securities. As disclosed however, the Company proposes and will process regulatory approvals for shelf-registered bonds in the aggregate amount of ₱100 billion.

There are likewise no existing or planned stock options for the Company. There are no registered securities subject to redemption or call. There are no existing or planned stock warrant offerings.

ITEM 6. Management's Discussion and Analysis of Financial Condition and Results of Operations

Income Statements

(*in ₱ thousands*)	2023	2022	Increase (Decrease) in ₱	in %
	(Audited)			
REVENUE				
Rent	₱72,113,957	₱58,243,913	₱13,870,044	24%
Real estate sales	42,040,409	39,046,514	2,993,895	8%
Others	13,943,175	8,495,208	5,447,967	64%
	128,097,541	105,785,635	22,311,906	21%
COSTS AND EXPENSES	66,818,300	56,542,322	10,275,978	18%
INCOME FROM OPERATIONS	61,279,241	49,243,313	12,035,928	24%
OTHER INCOME (CHARGES)				
Interest expense	(13,963,271)	(11,465,787)	(2,497,484)	22%
Interest and dividend income	2,185,156	1,775,740	409,416	23%
Others – net	338,693	(839,262)	1,177,955	(140%)
	(11,439,422)	(10,529,309)	(910,113)	9%
INCOME BEFORE INCOME TAX	49,839,819	38,714,004	11,125,815	29%
PROVISION FOR INCOME TAX				
Current	8,211,259	6,783,913	1,427,346	21%
Deferred	764,715	1,186,962	(422,247)	(36%)
	8,975,974	7,970,875	1,005,099	13%
NET INCOME	₱40,863,845	₱30,743,129	₱10,120,716	33%
Attributable to				
Equity holders of the Parent	₱40,010,501	₱30,099,799	₱9,910,702	33%
Non-controlling interests	853,344	643,330	210,014	33%
	₱40,863,845	₱30,743,129	₱10,120,716	33%

Years Ended December 31

Revenues

SM Prime recorded consolidated revenues of ₱128.10 billion in 2023, an increase of 21% compared to ₱105.79 billion in the same period of 2022, primarily due to the following:

Rent

SM Prime recorded consolidated revenues from rent of ₱72.11 billion in 2023, a 24% increase from ₱58.24 billion in the same period of 2022. 85% is contributed by the malls while 15% is from offices and hotels and convention centers.

Real Estate Sales

SM Prime recorded real estate sales of ₱42.04 billion in 2023 compared to ₱39.05 billion in the same period of 2022 primarily due to higher sales take-up and construction accomplishments of various projects including Gold Residences, Mint Residences, Sands Residences, Shore Residences, Cheerful Homes 2 and South Residences. Reservation sales is at ₱102 billion in 2023.

Other Revenues

SM Prime's other revenues increased to ₱13.94 billion in 2023 from ₱8.50 billion in the same period in 2022 as the cinema, leisure and entertainment businesses reopen its doors to patrons. Other revenues include cinema ticket sales, sponsorships and advertising revenues, bowling operations and sale of food and beverages in hotels. Cinemas improved due to high ticket sales from movies shown during the year, including Insidious: The Red Door, The Little Mermaid, John Wick: Chapter 4, Avatar: The Way of Water, and Barbie. Leisure and entertainment business benefited from the new normal condition.

Costs and Expenses

SM Prime recorded consolidated costs and expenses of ₱66.82 billion in 2023, an increase of 18% from ₱56.54 billion in the same period in 2022, mainly from operating expenses which include depreciation and amortization, taxes and licenses, marketing and selling expenses, utilities and manpower costs. Gross profit margin on real estate is 60% in 2023 as a result of improving cost efficiencies and tighter monitoring and control of construction cost.

Other Income (Charges)

Interest Expense

SM Prime's consolidated interest expense increased to ₱13.96 billion in 2023 compared to ₱11.47 billion in the same period in 2022 mainly due to the issuance of retail bonds in 2023 and 2022 and new bank loans availed for working capital and capital expenditure requirements, net of the capitalized interest on proceeds spent for construction and development of investment properties.

Interest, Dividend and Others - net

Interest, dividend and others - net increased to ₱2.52 billion in 2023 compared to ₱0.94 billion in the same period in 2022. This mainly consists of interest income from cash and cash equivalents, dividend income from equity instruments, equity in net earnings from associates and joint ventures and foreign exchange gains and losses.

Provision for income tax

SM Prime's consolidated provision for income tax increased to ₱8.98 billion in 2023 compared to ₱7.97 billion in the same period in 2022.

Net income attributable to non-controlling interests

SM Prime's consolidated net income attributable non-controlling interest increased to ₱0.85 billion in 2023 as compared to ₱0.64 billion in the same period in 2022.

Net income attributable to Parent

SM Prime's consolidated net income attributable to Parent increased by 33% to ₱40.01 billion in 2023 compared to ₱30.10 billion in the same period in 2022.

	Years Ended December 31			
			Increase (Decrease)	
(*in ₱ thousands*)	2022	2021	in ₱	in %
	(Audited)			
REVENUE				
Rent	₱58,243,913	₱34,694,185	₱23,549,728	68%
Real estate sales	39,046,514	45,116,120	(6,069,606)	(13%)
Others	8,495,208	2,505,179	5,990,029	239%
	105,785,635	82,315,484	23,470,151	29%
COSTS AND EXPENSES	56,542,322	49,900,933	6,641,389	13%
INCOME FROM OPERATIONS	49,243,313	32,414,551	16,828,762	52%
OTHER INCOME (CHARGES)				
Interest expense	(11,465,787)	(9,357,616)	(2,108,171)	23%
Interest and dividend income	1,775,740	1,025,066	750,674	73%
Others - net	(839,262)	3,651,524	(4,490,786)	(123%)
	(10,529,309)	(4,681,026)	(5,848,283)	125%
INCOME BEFORE INCOME TAX	38,714,004	27,733,525	10,980,479	40%
PROVISION FOR INCOME TAX				
Current	6,783,913	2,816,720	3,967,193	141%
Deferred	1,186,962	3,005,402	(1,818,440)	(61%)
	7,970,875	5,822,122	2,148,753	37%
NET INCOME	₱30,743,129	₱21,911,403	₱8,831,726	40%
Attributable to:				
Equity holders of the Parent	₱30,099,799	₱21,786,516	₱8,313,283	38%
Non-controlling interests	643,330	124,887	518,443	415%
	₱30,743,129	₱21,911,403	₱8,831,726	40%

Revenues

SM Prime recorded consolidated revenues of ₱105.79 billion in 2022, an increase of 29% compared to ₱82.32 billion in the same period of 2021, primarily due to the following:

Rent

SM Prime recorded consolidated revenues from rent of ₱58.24 billion in 2022, a 68% increase from ₱34.69 billion in the same period of 2021. Malls operate on a new normal with the easing of mobility restrictions and 85% of the total rental revenues is contributed by the malls while the 15% is from offices and hotels and convention centers.

Real Estate Sales

SM Prime recorded real estate sales of ₱39.05 billion in 2022, a decrease of 13% from ₱45.12 billion in 2021 as a result of the spillover effect of the lapse of Bayanihan Act, which gave a reprieve to unit buyers during the height of the pandemic. Reservation sales in 2022 increased by 3% to ₱102.00 billion from ₱98.89 billion in the same period last year.

Other Revenues

SM Prime's other revenues increased to ₱8.50 billion in 2022 from ₱2.51 billion in the same period in 2021 as the cinema, leisure and entertainment businesses reopen its doors to patrons. Cinemas improved due to high ticket sales from blockbuster movies shown during of the year, including Doctor Strange in the Multiverse of Madness, Avatar: The Way of Water and Black Panther: Wakanda Forever. Leisure and entertainment business benefited from the new normal condition. Other revenues also include cinema and event ticket sales, sponsorships and advertising revenues, bowling operations and sale of food and beverages in hotels.

Costs and Expenses

SM Prime recorded consolidated costs and expenses of ₱56.54 billion in 2022, an increase of 13% from ₱49.90 billion in the same period in 2021, as a result of the following:

Costs of Real Estate

Consolidated costs of real estate decreased by 10% to ₱16.90 billion in 2022 from ₱18.69 billion in the same period in 2021. Gross profit margin on real estate sales is 57% in 2022 from 59% in 2021.

Operating Expenses

SM Prime's consolidated operating expenses increased by 27% to ₱39.64 billion in 2022 compared to last year's ₱31.21 billion. Out of the total operating expenses, 68% is contributed by the malls. Operating expenses include depreciation and amortization, taxes and licenses, marketing and selling expenses, utilities and manpower costs.

Other Income (Charges)

Interest Expense

SM Prime's consolidated interest expense increased by 23% to ₱11.47 billion in 2022 compared to ₱9.36 billion in the same period in 2021 mainly due to the issuance of retail bonds in 2021 and 2022, respectively, and new bank loans availed for working capital and capital expenditure requirements, net of the capitalized interest on proceeds spent for construction and development of investment properties.

Interest, Dividend and Others - net

Interest, dividend and others - net decreased to ₱0.94 billion in 2022 from last year's ₱4.68 billion. This mainly consists of interest income from cash and cash equivalents, dividend income from equity instruments, equity in net earnings from associates and joint ventures and foreign exchange gains and losses.

Provision for income tax - net

SM Prime's consolidated provision for income tax - net increased to ₱7.97 billion in 2022 compared to ₱5.82 billion in the same period in 2021.

Net income attributable to non-controlling interests

SM Prime's consolidated net income attributable non-controlling interest increased to ₱0.64 billion in 2022 as compared to ₱0.12 billion in the same period in 2021.

Net income attributable to Parent

SM Prime's consolidated net income attributable to Parent increased by 38% to ₱30.10 billion in 2022 as compared to ₱21.79 billion in the same period in 2021.

	Years Ended December 31			
			Increase (Decrease)	
(*in ₱ thousands*)	2021	2020	in ₱	in %
	(Audited)			
REVENUE				
Real estate sales	₱45,116,120	₱46,973,399	(₱1,857,279)	(4%)
Rent	34,694,185	32,013,024	2,681,161	8%
Others	2,505,179	2,912,875	(407,696)	(14%)
	82,315,484	81,899,298	416,186	1%
COSTS AND EXPENSES	49,900,933	52,825,112	(2,924,179)	(6%)
INCOME FROM OPERATIONS	32,414,551	29,074,186	3,340,365	11%
OTHER INCOME (CHARGES)				
Interest expense	(9,357,616)	(8,596,750)	(760,866)	9%
Interest and dividend income	1,025,066	1,207,227	(182,161)	(15%)
Others - net	3,651,524	779,078	2,872,446	369%
	(4,681,026)	(6,610,445)	1,929,419	(29%)
INCOME BEFORE INCOME TAX	27,733,525	22,463,741	5,269,784	23%
PROVISION FOR INCOME TAX				
Current	2,816,720	1,761,051	1,055,669	60%
Deferred	3,005,402	2,562,953	442,449	17%
	5,822,122	4,324,004	1,498,118	35%
NET INCOME	₱21,911,403	₱18,139,737	₱3,771,666	21%
Attributable to:				
Equity holders of the Parent	₱21,786,516	₱18,006,512	₱3,780,004	21%
Non-controlling interests	124,887	133,225	(8,338)	(6%)
	₱21,911,403	₱18,139,737	₱3,771,666	21%

Revenues

SM Prime recorded consolidated revenues of ₱82.32 billion in 2021, an increase of 1% compared to ₱81.90 billion in the same period of 2020, primarily due to the following:

Rent

SM Prime recorded consolidated revenues from rent of ₱34.69 billion in 2021, an 8% increase from ₱32.01 billion in the same period of 2020. Out of the total rental revenues, 83% is contributed by the malls and the rest from offices and hotels and convention centers. Rent revenues of ₱10.91 billion in the last quarter of 2021 increased by 46% from the ₱7.48 billion in the same period in 2020 as the Inter-Agency Task Force for the Management of Emerging Infectious Diseases (IATF) and local government unit (LGU) eased ECQ restrictions during the fourth quarter of 2021, relaxing age mobility restrictions and allowing more tenants to operate.

Real Estate Sales

SM Prime recorded real estate sales of ₱45.12 billion in 2021, slightly lower from ₱46.97 billion in 2020. Reservation sales in 2021 is flat at ₱98.9 billion. Revenues are recognized in the books based on percentage of completion.

Other Revenues

SM Prime's other revenues improved to ₱0.95 billion in the last quarter of 2021 compared to ₱0.63 billion in the same period in 2020. However, it decreased by 14% to ₱2.51 billion in 2021 from ₱2.91 billion in the same period in 2020 as pandemic condition started in March 2020. Other revenues in 2021 include cinema and event ticket sales, sponsorships and advertising revenues, bowling operations and sale of food and beverages in hotels.

Costs and Expenses

SM Prime recorded consolidated costs and expenses of ₱49.90 billion in 2021, a decrease of 6% from ₱52.83 billion in the same period in 2020, as a result of the following:

Costs of Real Estate

Consolidated costs of real estate decreased by 9% to ₱18.69 billion in 2021 from ₱20.58 billion in the same period in 2020 due to decrease in real estate sales, net of savings as a result of improving cost efficiencies. Gross profit margin on real estate sales improved to 59% in 2021 from 56% in 2020.

Operating Expenses

SM Prime's consolidated operating expenses decreased by 3% to ₱31.21 billion in 2021 compared to last year's ₱32.25 billion. Out of the total operating expenses, 64% is contributed by the malls. Operating expenses include depreciation and amortization, taxes and licenses, marketing and selling expenses, utilities and manpower costs.

Other Income (Charges)

Interest Expense

SM Prime's consolidated interest expense increased by 9% to ₱9.36 billion in 2021 compared to ₱8.60 billion in the same period in 2020 mainly due to ₱20.00 billion retail bonds issued in 2021 and new bank loans availed for working capital and capital expenditure requirements, net of the capitalized interest on proceeds spent for construction and development of investment properties.

Interest, Dividend and Others - net

Interest, dividend and others - net increased to ₱4.68 billion in 2021 from last year's ₱1.99 billion. This mainly consists of interest income from cash and cash equivalents, dividend income from equity instruments, equity in net earnings from associates and joint ventures and foreign exchange gains and losses.

Provision for income tax - net

SM Prime's consolidated provision for income tax - net increased to ₱5.82 billion in 2021 compared to ₱4.32 billion in the same period in 2020. The Company recognized one-time impact of CREATE amounting to ₱0.29 billion.

Net income attributable to Parent

SM Prime's consolidated net income attributable to Parent increased by 21% to ₱21.79 billion in 2021 as compared to ₱18.01 billion in the same period in 2020.

Balance Sheet

(*in ₱ thousands*)	December 31, 2023	December 31, 2022	Increase (Decrease) in ₱	in %
	(Audited)			
ASSETS				
Current Assets				
Cash and cash equivalents	₱31,816,802	₱42,060,082	(₱10,243,280)	(24%)
Receivables and contract assets	76,952,202	82,560,354	(5,608,152)	(7%)
Real estate inventories	77,886,781	70,500,025	7,386,756	10%
Equity instruments at fair value through other comprehensive income (FVOCI)	747,840	534,865	212,975	40%
Derivative assets	2,247,073	585,576	1,661,497	284%
Prepaid expenses and other current assets	27,804,930	25,767,334	2,037,596	8%
Total Current Assets	217,455,628	222,008,236	(4,552,608)	(2%)
Noncurrent Assets				
Equity instruments at FVOCI - net of current portion	19,570,212	17,077,198	2,493,014	15%
Investment properties	545,074,746	489,266,042	55,808,704	11%
Investments in associates and joint ventures	32,431,195	30,578,320	1,852,875	6%
Property and equipment	1,554,990	1,399,840	155,150	11%
Deferred tax assets - net	1,492,359	931,366	560,993	60%
Derivative assets - net of current portion	3,276,971	6,752,744	(3,475,773)	(51%)
Other noncurrent assets	122,471,474	106,200,906	16,270,568	15%
Total Noncurrent Assets	725,871,947	652,206,416	73,665,531	11%
	₱943,327,575	₱874,214,652	₱69,112,923	8%

LIABILITIES AND EQUITY				
Current Liabilities				
Loans payable	₱4,288,964	₱5,422,524	(₱1,133,560)	(21%)
Accounts payable and other current liabilities	99,077,428	88,122,597	10,954,831	12%
Current portion of long-term debt	67,746,351	50,839,776	16,906,575	33%
Derivative liabilities	7,423	19,496	(12,073)	(62%)
Income tax payable	1,295,842	765,909	529,933	69%
Total Current Liabilities	172,416,008	145,170,302	27,245,706	19%
Noncurrent Liabilities				
Long-term debt - net of current portion	294,622,256	296,134,836	(1,512,580)	(1%)
Tenants' and customers' deposits - net of current portion	25,301,504	23,799,162	1,502,342	6%
Liability for purchased land - net of current portion	539,959	1,129,719	(589,760)	(52%)
Deferred tax liabilities - net	12,458,096	11,140,040	1,318,056	12%
Derivative liabilities - net of current portion	265,013	294,403	(29,390)	(10%)
Other noncurrent liabilities	38,837,703	31,394,584	7,443,119	24%
Total Noncurrent Liabilities	372,024,531	363,892,744	8,131,787	2%
Total Liabilities	₱544,440,539	₱509,063,046	₱35,377,493	7%

Equity Attributable to Equity Holders of the Parent				
Capital stock	₱33,166,300	₱33,166,300	₱–	0%
Additional paid-in capital – net	38,159,900	38,124,193	35,707	0%
Cumulative translation adjustment	2,556,139	3,435,171	(879,032)	(26%)
Net fair value changes of equity instruments at FVOCI	16,938,503	14,232,514	2,705,989	19%
Net fair value changes on cash flow hedges	1,079,094	2,984,605	(1,905,511)	(64%)
Remeasurement loss on defined benefit obligation	(1,062,437)	(928,882)	(133,555)	14%
Retained earnings:				
Appropriated	42,200,000	42,200,000	–	0%
Unappropriated	266,143,815	232,972,284	33,171,531	14%
Treasury stock	(2,984,695)	(2,984,695)	–	0%
Total Equity Attributable to Equity Holders of the Parent	396,196,619	363,201,490	32,995,129	9%
Non-controlling Interests	2,690,417	1,950,116	740,301	38%
Total Equity	398,887,036	365,151,606	33,735,430	9%
	₱943,327,575	₱874,214,652	₱69,112,923	8%

SM Prime's total assets amounted to ₱943.33 billion and ₱874.21 billion as of December 31, 2023 and December 31, 2022, respectively.

Cash and cash equivalents decreased to ₱31.82 billion from ₱42.06 billion as of December 31, 2023 and December 31, 2022, respectively, mainly due to various capital expenditures and payments of maturing debts, net of collections from operations.

Receivables and contract assets decreased by 7% to ₱76.95 billion from ₱82.56 billion as of December 31, 2023 and December 31, 2022, respectively, mainly due to collections made for the period.

Real estate inventories increased by 10% to ₱77.89 billion from ₱70.50 billion as of December 31, 2023 and December 31, 2022, respectively, due to construction accomplishments for the period, net of cost of sold units.

Equity instruments at fair value through other comprehensive income (FVOCI) increased by 15% to ₱20.32 billion from ₱17.61 billion as of December 31, 2023 and December 31, 2022, respectively, with equivalent increase of 19% in net fair value changes of equity instruments at FVOCI to ₱16.94 billion from ₱14.23 billion as of December 31, 2023 and December 31, 2022, respectively, due to changes in fair values under this portfolio.

Derivative assets - net decreased to ₱5.25 billion from ₱7.02 billion as of December 31, 2023 and December 31, 2022, respectively, mainly due to foreign exchange and net fair value changes on swap transactions and maturities during the period. Net fair value changes on cash flow hedges decreased to ₱1.08 billion from ₱2.98 billion unrealized gain as of December 31, 2023 and December 31, 2022, respectively.

Prepaid expenses and other current assets increased by 8% to ₱27.80 billion from ₱25.77 billion as of December 31, 2023 and December 31, 2022, respectively, due to increase in prepaid taxes and input and creditable withholding taxes.

Investment properties increased by 11% to ₱545.07 billion from ₱489.27 billion as of December 31, 2023 and December 31, 2022, respectively, primarily due to landbanking, ongoing new mall projects, redevelopment of existing malls, and construction of commercial projects, net of depreciation expense for the period.

Investments in associates and joint ventures increased by 6% to ₱32.43 billion from ₱30.58 billion as of December 31, 2023 and December 31, 2022, respectively, due to equity in net earnings of associates and joint ventures.

Property and equipment increased by 11% to ₱1.55 billion from ₱1.40 billion as of December 31, 2023 and December 31, 2022, respectively, primarily due to additions, net of depreciation during the period.

Deferred tax asset - net increased to ₱1.49 billion from ₱0.93 billion as of December 31, 2023 and December 31, 2022, respectively. Deferred tax liabilities - net increased to ₱12.46 billion from ₱11.14 billion as of December 31, 2023 and December 31, 2022, respectively, mainly due to unrealized gross profit on sale of real estate for income tax purposes.

Other noncurrent assets, which includes noncurrent portion of receivables from sale of real estate and bonds and deposits for real estate acquisitions, increased by 15% to ₱122.47 billion from ₱106.20 billion as of December 31, 2023 and December 31, 2022, respectively.

Loans payable decreased to ₱4.29 billion from ₱5.42 billion as of December 31, 2023 and December 31, 2022, respectively, due to payments, net of loan availments for the period.

Accounts payable and other current liabilities increased by 12% to ₱99.08 billion from ₱88.12 billion as of December 31, 2023 and December 31, 2022, respectively, mainly due to payables to contractors and suppliers related to ongoing projects, current portion of liability for purchased land and customers' deposits.

Income tax payable increased to ₱1.30 billion from ₱0.77 billion as of December 31, 2023 and December 31, 2022, respectively, mainly due to provisions, net of payments for the year.

Long-term debt increased by 4% to ₱362.37 billion from ₱346.97 billion as of December 31, 2023 and December 31, 2022, respectively, mainly due to issuance of retail bonds and new debt availments, net of payments of maturities during the period.

Tenants' and customers' deposits increased by 6% to ₱25.30 billion from ₱23.80 billion as of December 31, 2023 and December 31, 2022, respectively, mainly due to the new malls and office building tenants.

Liability for purchased land - net of current portion decreased to ₱0.54 billion from ₱1.13 billion as of December 31, 2023 and December 31, 2022, respectively, due to payments, net of additions for the year.

Other noncurrent liabilities increased to ₱38.84 billion from ₱31.39 billion as of December 31, 2023 and December 31, 2022, respectively, due to increase in deferred output VAT related to sale of residential projects and retention payable.

Cumulative translation adjustment decreased to ₱2.56 billion from ₱3.44 billion as of December 31, 2023 and December 31, 2022, respectively, as a result of foreign exchange movement between years.

Non-controlling interests increased by 38% to ₱2.69 billion from ₱1.95 billion as of December 31, 2023 and December 31, 2022, respectively, due to increase in net income for the period.

The Company has no known direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation. There were no contingent liabilities or assets in the Company's balance sheet. The Company has no off-balance sheet transactions, arrangements, obligations during the reporting year as of balance sheet date.

As at December 31, 2023 and December 31, 2022, the amount of retained earnings appropriated for the continuous corporate and mall expansions amounted to ₱42.20 billion. This represents a continuing appropriation for land banking activities and planned construction projects. The appropriation is being fully utilized to cover part of the annual capital expenditure requirement of the Company.

For the year 2024, the Company is looking at ₱100 billion for its capital expenditure program. This will be funded with internally generated funds and external borrowings.

(*in ₱ thousands*)	December 31, 2022	December 31, 2021	Increase (Decrease) in ₱	in %
	(Audited)			
ASSETS				
Current Assets				
Cash and cash equivalents	₱42,060,082	₱39,775,852	₱2,284,230	6%
Receivables and contract assets	82,560,354	73,019,966	9,540,388	13%
Real estate inventories	70,500,025	56,575,047	13,924,978	25%
Equity instruments at fair value through other comprehensive income (FVOCI)	534,865	547,041	(12,176)	(2%)
Derivative assets	585,576	753,506	(167,930)	(22%)
Prepaid expenses and other current assets	25,767,334	24,993,357	773,977	3%
Total Current Assets	222,008,236	195,664,769	26,343,467	13%
Noncurrent Assets				
Equity instruments at FVOCI - net of current portion	17,077,198	17,400,372	(323,174)	(2%)
Investment properties	489,266,042	467,391,988	21,874,054	5%
Investments in associates and joint ventures	30,578,320	29,187,435	1,390,885	5%
Property and equipment	1,399,840	1,372,276	27,564	2%
Deferred tax assets - net	931,366	734,975	196,391	27%
Derivative assets - net of current portion	6,752,744	1,043,670	5,709,074	547%
Other noncurrent assets	106,200,906	91,607,795	14,593,111	16%
Total Noncurrent Assets	652,206,416	608,738,511	43,467,905	7%
	₱874,214,652	₱804,403,280	₱69,811,372	9%

LIABILITIES AND EQUITY				
Current Liabilities				
Loans payable	₱5,422,524	₱6,487,427	(₱1,064,903)	(16%)
Accounts payable and other current liabilities	88,122,597	91,377,717	(3,255,120)	(4%)
Current portion of long-term debt	50,839,776	42,261,601	8,578,175	20%
Derivative liabilities	19,496	335,367	(315,871)	(94%)
Income tax payable	765,909	563,387	202,522	36%
Total Current Liabilities	145,170,302	141,025,499	4,144,803	3%
Noncurrent Liabilities				
Long-term debt - net of current portion	296,134,836	264,969,216	31,165,620	12%
Tenants' and customers' deposits - net of current portion	23,799,162	21,458,281	2,340,881	11%
Liability for purchased land - net of current portion	1,129,719	2,540,050	(1,410,331)	(56%)
Deferred tax liabilities - net	11,140,040	9,688,555	1,451,485	15%
Derivative liabilities - net of current portion	294,403	1,748,186	(1,453,783)	(83%)
Other noncurrent liabilities	31,394,584	28,612,720	2,781,864	10%
Total Noncurrent Liabilities	363,892,744	329,017,008	34,875,736	11%
Total Liabilities	509,063,046	470,042,507	39,020,539	8%

Equity Attributable to Equity Holders of the Parent				
Capital stock	₱33,166,300	₱33,166,300	₱–	0%
Additional paid-in capital - net	38,124,193	38,056,016	68,177	0%
Cumulative translation adjustment	3,435,171	3,083,184	351,987	11%
Net fair value changes of equity instruments at FVOCI	14,232,514	14,708,368	(475,854)	(3%)
Net fair value changes on cash flow hedges	2,984,605	(432,883)	3,417,488	789%
Remeasurement loss on defined benefit obligation	(928,882)	(548,643)	(380,239)	69%
Retained earnings:				
Appropriated	42,200,000	42,200,000	–	0%
Unappropriated	232,972,284	205,671,557	27,300,727	13%
Treasury stock	(2,984,695)	(2,984,695)	–	0%
Total Equity Attributable to Equity Holders of the Parent	363,201,490	332,919,204	30,282,286	9%
Non-controlling Interests	1,950,116	1,441,569	508,547	35%
Total Equity	365,151,606	334,360,773	30,790,833	9%
	₱874,214,652	₱804,403,280	69,811,372	9%

SM Prime's total assets amounted to ₱874.21 billion and ₱804.40 billion as of December 31, 2022 and December 31, 2021, respectively.

Cash and cash equivalents increased by 6% to ₱42.06 billion from ₱39.78 billion as of December 31, 2022 and December 31, 2021, respectively, mainly due to improved collections, proceeds from the issuance of bonds and availment of new loans, net of payments for capital expenditure projects during the period and debt servicing.

Receivables and contract assets increased by 13% to ₱82.56 billion from ₱73.02 billion as of December 31, 2022 and December 31, 2021, respectively, due to increase in rental receivables from new malls and expansions and increase in sale of residential units.

Real estate inventories increased by 25% to ₱70.50 billion from ₱56.58 billion as of December 31, 2022 and December 31, 2021, respectively, due to construction accomplishments for the period, net of cost of sold units.

Derivatives improved to ₱7.02 billion net asset from ₱0.29 billion net liability as of December 31, 2022 and December 31, 2021, respectively, mainly due to foreign exchange and net fair value changes on swap transactions during the period. This also resulted to the increase in net fair value changes on cash flow hedges to ₱2.98 billion unrealized gain from ₱0.43 billion unrealized loss as of December 31, 2022 and December 31, 2021, respectively.

Investment properties increased by 5% to ₱489.27 billion from ₱467.39 billion as of December 31, 2022 and December 31, 2021, respectively, primarily due to landbanking, ongoing new mall projects, redevelopment of SM Mall of Asia and other existing malls, and construction of commercial buildings, net of depreciation expense for the period.

Investments in associates and joint ventures increased by 5% to ₱30.58 billion from ₱29.19 billion as of December 31, 2022 and December 31, 2021, respectively, due to equity in net earnings of associates and joint ventures.

Other noncurrent assets, which includes bonds and deposits for real estate acquisitions and noncurrent portion of receivables from sale of real estate, increased by 16% to ₱106.20 billion from ₱91.61 billion as of December 31, 2022 and December 31, 2021, respectively.

Loans payable decreased by 16% to ₱5.42 billion from ₱6.49 billion as of December 31, 2022 and December 31, 2021, respectively, due to payments, net of availment for the period.

Income tax payable increased by 36% to ₱0.77 billion from ₱0.56 billion as of December 31, 2022 and December 31, 2021, respectively, mainly due provisions for the year, net of payments.

Long-term debt increased by 13% to ₱346.97 billion from ₱307.23 billion as of December 31, 2022 and December 31, 2021, respectively, mainly due to issuance of retail bonds and new loan availments, net of payments of matured loans during the period.

Tenants' and customers' deposits increased by 11% to ₱23.80 billion from ₱21.46 billion as of December 31, 2022 and December 31, 2021, respectively, mainly due to the new malls and office building tenants.

Liability for purchased land decreased to ₱1.13 billion from ₱2.54 billion as of December 31, 2022 and December 31, 2021, respectively, due to payments made during the period.

Deferred tax liabilities - net increased by 15% to ₱11.14 billion from ₱9.69 billion as of December 31, 2022 and December 31, 2021, respectively, mainly due to unrealized gross profit on sale of real estate for income tax purposes. Deferred tax assets - net increased by 27% to ₱0.93 billion from ₱0.73 billion as of December 31, 2022 and December 31, 2021 mainly due to actuarial loss for the year.

Other noncurrent liabilities increased by 10% to ₱31.39 billion from ₱28.61 billion as of December 31, 2022 and December 31, 2021, respectively, due to increase in noncurrent portion of lease liabilities and deferred output VAT related to sale of residential projects.

Cumulative translation adjustment increased by 11%, to ₱3.44 billion from ₱3.08 billion as of December 31, 2022 and December 31, 2021, respectively, as a result of foreign exchange. While remeasurement loss on defined benefit obligation increased by 69% to ₱0.93 billion from ₱0.55 billion as of December 31, 2022 and December 31, 2021, respectively, due to actuarial loss for the year.

The Company has no known direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation. There were no contingent liabilities or assets in the Company's balance sheet. The Company has no off-balance sheet transactions, arrangements, obligations during the reporting year as of balance sheet date.

As at December 31, 2022 and December 31, 2021, the amount of retained earnings appropriated for the continuous corporate and mall expansions amounted to ₱42.20 billion. This represents a continuing appropriation for land banking activities and planned construction projects. The appropriation is being fully utilized to cover part of the annual capital expenditure requirement of the Company.

For the year 2023, the Company expects to incur capital expenditures of around ₱80 billion. This will be funded with internally generated funds and external borrowings.

(*in ₱ thousands*)	December 31, 2021	December 31, 2020	Increase (Decrease) in ₱	in %
	(Audited)			
ASSETS				
Current Assets				
Cash and cash equivalents	₱39,775,852	₱30,661,614	₱9,114,238	30%
Receivables and contract assets	73,019,966	58,944,930	14,075,036	24%
Real estate inventories	56,575,047	43,691,877	12,883,170	29%
Equity instruments at fair value through other comprehensive income (FVOCI)	547,041	568,146	(21,105)	(4%)
Derivative assets	753,506	2,747	750,759	27,327%
Prepaid expenses and other current assets	24,993,357	23,205,662	1,787,695	8%
Total Current Assets	195,664,769	157,074,976	38,589,793	25%
Noncurrent Assets				
Equity instruments at FVOCI - net of current portion	17,400,372	16,131,568	1,268,804	8%
Investment properties	467,391,988	436,159,081	31,232,907	7%
Investments in associates and joint ventures	29,187,435	27,735,239	1,452,196	5%
Property and equipment	1,372,276	1,311,208	61,068	5%
Deferred tax assets - net	734,975	831,546	(96,571)	(12%)
Derivative assets - net of current portion	1,043,670	–	1,043,670	100%
Other noncurrent assets	91,607,795	83,115,307	8,492,488	10%
Total Noncurrent Assets	608,738,511	565,283,949	43,454,562	8%
	₱804,403,280	₱722,358,925	₱82,044,355	11%

LIABILITIES AND EQUITY				
Current Liabilities				
Loans payable	₱6,487,427	₱10,900,000	(₱4,412,573)	(40%)
Accounts payable and other current liabilities	91,377,717	81,033,985	10,343,732	13%
Current portion of long-term debt	42,261,601	42,738,350	(476,749)	(1%)
Derivative liabilities	335,367	357,662	(22,295)	(6%)
Income tax payable	563,387	957,906	(394,519)	(41%)
Total Current Liabilities	141,025,499	135,987,903	5,037,596	4%
Noncurrent Liabilities				
Long-term debt - net of current portion	264,969,216	218,830,647	46,138,569	21%
Tenants' and customers' deposits - net of current portion	21,458,281	21,331,869	126,412	1%
Liability for purchased land - net of current portion	2,540,050	1,251,227	1,288,823	103%
Deferred tax liabilities - net	9,688,555	6,786,018	2,902,537	43%
Derivative liabilities - net of current portion	1,748,186	2,445,735	(697,549)	(29%)
Other noncurrent liabilities	28,612,720	25,007,898	3,604,822	14%
Total Noncurrent Liabilities	329,017,008	275,653,394	53,363,614	19%
Total Liabilities	470,042,507	411,641,297	58,401,210	14%

Equity Attributable to Equity Holders of the Parent				
Capital stock	₱33,166,300	₱33,166,300	₱–	0%
Additional paid-in capital - net	38,056,016	38,022,913	33,103	0%
Cumulative translation adjustment	3,083,184	1,524,439	1,558,745	102%
Net fair value changes of equity instruments at FVOCI	14,708,368	13,460,669	1,247,699	9%
Net fair value changes on cash flow hedges	(432,883)	(1,769,030)	1,336,147	(76%)
Remeasurement loss on defined benefit obligation	(548,643)	(587,796)	39,153	(7%)
Retained earnings:				
Appropriated	42,200,000	42,200,000	–	0%
Unappropriated	205,671,557	186,251,267	19,420,290	10%
Treasury stock	(2,984,695)	(2,984,695)	–	0%
Total Equity Attributable to Equity Holders of the Parent	332,919,204	309,284,067	23,635,137	8%
Non-controlling Interests	1,441,569	1,433,561	8,008	1%
Total Equity	334,360,773	310,717,628	23,643,145	8%
	₱804,403,280	₱722,358,925	₱82,044,355	11%

SM Prime's total assets amounted to ₱804.40 billion and ₱722.36 billion as of December 31, 2021 and December 31, 2020, respectively.

Cash and cash equivalents increased by 30% from ₱30.66 billion to ₱39.78 billion as of December 31, 2020 and December 31, 2021, respectively, mainly due to improved collections, proceeds from the issuance of bonds and availment of new loans, net of payments for capital expenditure projects during the period and debt servicing.

Receivables and contract assets increased by 24% from ₱58.94 billion to ₱73.02 billion as of December 31, 2020 and December 31, 2021, respectively, due to sale of residential units.

Real estate inventories increased by 29% from ₱43.69 billion to ₱56.58 billion as of December 31, 2020 and December 31, 2021, respectively, due to construction accomplishments for the period, net of cost of sold units.

Equity instruments at fair value through other comprehensive income increased by 7% from ₱16.70 billion to ₱17.95 billion as of December 31, 2020 and December 31, 2021, respectively, with equivalent increase of 9% in net fair value changes of equity instruments at FVOCI, from ₱13.46 billion to ₱14.71 billion as of December 31, 2020 and December 31, 2021, respectively, due to changes in fair values under this portfolio.

Prepaid expenses and other current assets increased by 8% from ₱23.21 billion to ₱24.99 billion as of December 31, 2020 and December 31, 2021, respectively, due to increase in input and creditable withholding taxes and deposits and advances to contractors related to construction projects.

Investment properties increased by 7% from ₱436.16 billion to ₱467.39 billion as of December 31, 2020 and December 31, 2021, respectively, primarily due to landbanking, ongoing new mall projects, redevelopment of SM Mall of Asia and other existing malls, and construction of commercial buildings, net of depreciation expense for the period.

Investments in associates and joint ventures increased by 5% from ₱27.74 billion to ₱29.19 billion as of December 31, 2020 and December 31, 2021, respectively, due to equity in net earnings of associates and joint ventures.

Property and equipment increased by 5% from ₱1.31 billion to ₱1.37 billion as of December 31, 2020 and December 31, 2021, respectively, primarily due to acquisitions, net of depreciation during the period.

Other noncurrent assets, which includes bonds and deposits for real estate acquisitions and noncurrent portion of receivables from sale of real estate, increased by 10% from ₱83.12 billion to ₱91.61 billion as of December 31, 2020 and December 31, 2021, respectively.

Loans payable decreased by 40% from ₱10.90 billion to ₱6.49 billion as of December 31, 2020 and December 31, 2021, respectively, due to payments, net of availment for the period.

Accounts payable and other current liabilities increased by 13% from ₱81.03 billion to ₱91.38 billion as of December 31, 2020 and December 31, 2021, respectively, mainly due to payables to contractors and suppliers related to ongoing projects, liability for purchased land and customers' deposits.

Income tax payable decreased by 41% from ₱0.96 billion to ₱0.56 billion as of December 31, 2020 and December 31, 2021, respectively, mainly due to payments made during the year.

Long-term debt increased by 17% from ₱261.57 billion to ₱307.23 billion as of December 31, 2020 and December 31, 2021, respectively, mainly due to the issuance of ₱20.00 billion retail bonds in 2021 and new loan availments, net of payments of maturing loans.

Derivative liabilities - net decreased from ₱2.80 billion to ₱0.29 billion as of December 31, 2020 and December 31, 2021, respectively, as a result of foreign exchange and net fair value changes on swap transactions, as well as maturity in January 2021 of certain principal only swap and interest rate swap transactions entered into to hedge the Company's foreign exchange currency exposure on dollar denominated long-term debts. This also resulted to the 76% decrease in net fair value changes on cash flow hedges from ₱1.77 billion to ₱0.43 billion as of December 31, 2020 and December 31, 2021, respectively.

Liability for purchased land increased from ₱1.25 billion to ₱2.54 billion as of December 31, 2020 and December 31, 2021, respectively, due to acquisitions.

Deferred tax liabilities - net increased by 43% from ₱6.79 billion to ₱9.69 billion as of December 31, 2020 and December 31, 2021, respectively, mainly due to unrealized gross profit on sale of real estate for income tax purposes. Deferred tax assets - net decreased by 12% from ₱0.83 billion to ₱0.73 billion as of December 31, 2020 and December 31, 2021.

Other noncurrent liabilities increased by 14% from ₱25.01 billion to ₱28.61 billion as of December 31, 2020 and December 31, 2021, respectively, due to increase in noncurrent portion of lease liabilities and deferred output VAT related to sale of residential projects.

Cumulative translation adjustment increased by 102%, from ₱1.52 billion to ₱3.08 billion as of December 31, 2020 and December 31, 2021, respectively, as a result of foreign exchange. While remeasurement loss on defined benefit obligation decreased by 7% from ₱0.59 billion to ₱0.55 billion as of December 31, 2020 and December 31, 2021, respectively, due to actuarial gain for the year.

The Company has no known direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation. There were no contingent liabilities or assets in the Company's balance sheet. The Company has no off-balance sheet transactions, arrangements, obligations during the reporting year as of balance sheet date.

As at December 31, 2021 and December 31, 2020, the amount of retained earnings appropriated for the continuous corporate and mall expansions amounted to ₱42.20 billion. This represents a continuing appropriation for land banking activities and planned construction projects. The appropriation is being fully utilized to cover part of the annual capital expenditure requirement of the Company.

For the year 2022, the Company expects to incur capital expenditures of around ₱80 billion. This will be funded with internally generated funds and external borrowings.

Key performance indicators

The following are the major financial ratios of the Company as at and for the years ended December 31, 2023, 2022, and 2021:

	Year ended December 31		
	2023	**2022**	**2021**
Current ratio	1.26	1.53	1.39
Acid test ratio	0.64	0.87	0.81
Solvency ratio	1.73	1.72	1.71
Debt to equity	48:52	49:51	49:51
Net debt to equity	46:54	46:54	45:55
Return on equity	11%	9%	7%
Net income margin	31%	28%	26%
Debt to EBITDA	4.95	5.77	7.28
Asset to equity ratio	2.38	2.41	2.42
Interest service coverage ratio	5.31	5.33	4.61
Return on investment properties	9%	7%	6%

The Company's key financial indicators are measured in terms of the following:

(1) Current ratio which measures the ratio of total current assets to total current liabilities;
(2) Acid test ratio which measures the ratio of quick assets, which includes cash and cash equivalents, receivables and contract assets and current portion of equity instruments at fair value through other comprehensive income, to total current liabilities;
(3) Solvency ratio which measures the ratio of total assets to total liabilities;
(4) Debt to equity ratio which measures the ratio of interest-bearing liabilities to equity attributable to equity holders of the Parent;
(5) Net debt to equity which measures the ratio of interest-bearing liabilities net of cash and cash equivalents to equity attributable to equity holders of the Parent;
(6) Return on equity which measures the ratio of net income attributable to the equity holders of the Parent to average total equity attributable to the equity holders of the Parent;
(7) Net income margin which measures the ratio of net income attributable to the equity holders of the Parent to total revenue;
(8) Debt to earnings before interest, taxes, depreciation and amortization (EBITDA) which measures the ratio of EBITDA to total interest-bearing liabilities;
(9) Asset to equity ratio which measures the ratio of total assets to total equity attributable to equity holders of the Parent;
(10) Interest service coverage ratio which measures the ratio of EBITDA to interest expense; and
(11) Return on investment properties which measures the ratio of net income attributable to the equity holders of the Parent to total average investment properties (excluding construction in progress).

There are no known trends, events, material changes, seasonal aspects, uncertainties or elements that are expected to affect the Company's continuing operations. The Company has no material commitments for capital expenditures except for those disclosed in Note 12 of the audited consolidated financial statements.

ITEM 7. Financial Statements

Please see the attached consolidated audited financial statements and schedules listed in the accompanying Index to Financial Statements and Supplementary Schedules.

ITEM 8. Information on Independent Accountant and Other Related Matters

SGV & Co. is the external auditor of the Company for the current year and is subject to re-appointment as the Company's external auditor for 2024 with the endorsement of the Audit Committee and approval of the Board of Directors. SGV's appointment for 2024 will be presented for confirmation of stockholders at the scheduled Annual Stockholders' Meeting. Representatives of SGV & Co. are expected to be present at the stockholders' meeting, where they are given the opportunity to make a statement should they desire to do so, and to respond to questions from stockholders.

The Audit Committee pursuant to its Charter recommends to the Board of Directors the appointment of the external auditor and the fixing of the audit fees. Also part of the Committee's duties and responsibilities is to ensure the quality and integrity of the Company's accounting, financial reporting, auditing practices, risk management and internal control systems and adherence to over-all corporate governance best practice. The Committee also oversees the Company's process for monitoring compliance with laws, regulations, the Code of Ethics, and performs other duties as the Board may require. Prior to commencement of audit, the Committee is mandated to discuss with the external auditor the nature, scope and approach, of the audit including coordination of audit effort with internal audit. The Company's Manual on Corporate Governance also provides that the Committee shall pre-approve all audit plans, scope and frequency one month before the conduct of external audit.

The Committee also evaluates the performance of the external auditor and recommends to the Board the appointment, re-appointment or removal of the external auditor. The Committee further reviews the independence of the external auditor and meets with the latter separately to discuss any matters that either party believes should be discussed privately.

Pursuant to SRC Rule 68, Paragraph 3(b) (iv) and (ix) (Rotation of External Auditors) which states that the signing partner shall be rotated after every seven (7) years of engagement with a two-year cooling off period for the re-engagement of the same signing partner, Mr. Juan Miguel P. Machuca of SGV & Co. assumed as its engagement partner in 2023 after the two-year term of Ms. Belinda Beng T. Hui from 2021-2022. Mr. Machuca has not served as SGV's signing partner for SMPH prior to current engagement.

The fees to SGV & Co. and Ernst & Young (EY) for assurance services amounted to ₱15 million for the years ended December 31, 2023 and 2022. The other fees for non-assurance services amounted to ₱7 million and ₱3 million for the years ended December 31, 2023 and 2022, respectively.

PART III - CONTROL AND COMPENSATION INFORMATION

ITEM 9. Directors and Executive Officers of the Registrant

DIRECTORS AND EXECUTIVE OFFICERS

Office	Name	Citizenship	Age
Chairman	Henry T. Sy, Jr.	Filipino	70
Vice Chairman and Lead Independent Director	Amando M. Tetangco, Jr.	Filipino	71
Independent Director	J. Carlitos G. Cruz	Filipino	63
Independent Director	Darlene Marie B. Berberabe	Filipino	55
Director and President	Jeffrey C. Lim	Filipino	62
Director	Hans T. Sy	Filipino	68
Director	Herbert T. Sy	Filipino	67
Director	Jorge T. Mendiola	Filipino	64
Corporate Secretary/Alternate Compliance Officer	Elmer B. Serrano	Filipino	56
Assistant Corporate Secretary and Alternate Corporate Information Officer	Arthur A. Sy	Filipino	54
Chief Finance Officer/Corporate Information Officer/Chief Compliance Officer	John Nai Peng C. Ong	Filipino	54
Vice President - Internal Audit	Marvin Perrin L. Pe	Filipino	45
Chief Risk Officer	Joana B. Tiangco	Filipino	39
President, Malls	Steven T. Tan	Filipino	54
President, Residential (Primary)	Jose Mari H. Banzon	Filipino	63
EVP, Residential (Leisure)	Shirley C. Ong	Filipino	62
VP, Commercial	Antonio Felix L. Ortiga	Filipino	45
EVP, Hotels and Convention Centers	Ma. Luisa E. Angeles	Filipino	65
President, SM Smart City	Glenn D. Ang	Filipino	60

Board of Directors

Henry T. Sy, Jr. has been a director of SM Prime since 1994. He was appointed as Chairman of the Board in 2014. He is responsible for the real estate acquisitions and development activities of SM Group, which include the identification, evaluation and negotiation for potential sites, as well as the input of design ideas. He is currently the Vice Chairman of SMIC, Chairman and Chief Executive Officer of SMDC, Vice Chairman of The National Grid Corporation of the Philippines and Chairman of the Board of Synergy Grid & Development Phils., Inc. He holds a Bachelor's Degree in Management from De La Salle University.

Amando M. Tetangco, Jr.* was elected as Vice Chairman and Independent Director of the Board of Directors of SM Prime in April 2021. He is concurrently the Chairman of SMIC and independent director of Belle Corporation, Converge ICT Solutions, Inc. and Shell Pilipinas Corporation. He also currently holds directorates in Manila Hotel, Toyota Motor Philippines and CIBI Information, Inc. He is also a trustee of St. Luke's Medical Center, Tan Yan Kee Foundation and Foundation for Liberty and Prosperity. He is also a member of the international advisory board of the Graduate Institute for Policy Studies in Tokyo, Japan and the Asia School of Business in Kuala Lumpur, Malaysia.

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 a career central banker for over four decades, having joined the Central Bank of the Philippines (the predecessor of BSP) on March 25, 1974. During his term as Governor, he held other government positions, such as the Chairman of the Anti-Money Laundering Council, the Financial Stability Coordination Council, and the Philippine International Convention Center. He was also Vice-Chair of the Agriculture Credit Policy Council; and a member of the Capital Markets Development Council and the Export Development Council. Prior to his first appointment as Governor in 2005, he was Deputy Governor in-charge of the Banking Services Sector, Economic Research and Treasury of the BSP. He also was the Alternate Executive Director of the International Monetary Fund in Washington, D.C. from 1992 to 1994. Before joining the Central Bank, he worked briefly at the Management Services Division of SGV & Co. in 1973 to 1974.

Overseas, he was the country's representative to the ASEAN Central Bank Forum; the Executives' Meeting of East Asia and Pacific Central Banks; the South East Asia Central Banks; the South East Asia, New Zealand and Australia; and the Center for Latin American Monetary Studies. He was the Governor for the Philippines at the International Monetary Fund and the Alternate Governor at the World Bank and the Asian Development Bank. At the Bank for International Settlements, he was Chair of the Meeting of Small Open Economies. He also chaired various international committees -- the BIS Asian Consultative Council; the Financial Stability Board Regional Consultative Group for Asia; and the Alliance for Financial Inclusion Steering Committee.

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. He was conferred the Honorary Degree of Doctorate in Management by the Asian Institute Management in 2023.

Mr. Tetangco graduated from Ateneo de Manila University with an AB Economics degree (cum laude), and obtained his Masters in Public Policy and Administration (Development Economics) at the University of Wisconsin at Madison, Wisconsin, USA, as a BSP scholar. He attended various training programs at different institutions, including the Harvard Business School and the New York Institute of Finance.

J. Carlitos G. Cruz* was elected as an Independent Director of the Board of Directors of SM Prime in April 2021. He is concurrently an independent director of Transnational Diversified Group, Inc., Federal Land, Inc., Solar Philippines Power Project Holdings, Inc., Asialink Finance Corporation and related companies namely Global Dominion Financing Incorporated, South Asialink Finance Corporation, Global Cebuana Finance Inc., Cebuana Cycle Financing, Inc., AFC SME Finance Inc., Global SME Loans, Inc., Wisefund Finance Corp., Cycle Financing Corp., Surecycle Financing Corp. and Cepat Kredit Financing, Inc., and MarCoPay Inc. and its subsidiaries such as MCP Finance, Inc. and MCP Insurance Management and Agency, Inc., and an independent trustee of the MPIC Beneficial Trust Fund. He is also an independent director of Vivant Corporation which is a listed company. He is also a member of the Makati Business Club, Inc. and Management Association of the Philippines. Mr. Cruz joined SGV and Co. (EY Philippines) in 1981 and was admitted to the partnership in 1995. He was later on appointed Chairman and Managing Partner in 2017 until 2019. Concurrent with his role as SGV Chairman and Managing Partner, he was also Chairman and President of the SGV Foundation. He also became President of Association of Certified Public Accountants in Public Practice (ACPAPP) in 2017, and in 2018, assumed the presidency of the ACPAPP Foundation. Mr. Cruz has also been active in supporting the Government's efforts to promote business and trade by participating in Presidential business delegations to various countries, including Thailand during the terms of President Joseph Estrada, President Cory Aquino and President Rodrigo Duterte; Europe and Japan during the term of President Benigno Aquino III; and Russia during the term of President Rodrigo Duterte. Mr. Cruz graduated from the University of Santo Tomas with a Bachelor of Science in Commerce degree and is a Certified Public Accountant (CPA). He completed the Advanced Management Program of the Harvard Business School in 2007. He has been conferred with numerous awards, including the "Parangal San Mateo" from the Philippine Institute of Certified Public Accountants. The award is the highest honor given to a CPA in honor of his significant contributions to the accountancy profession. He was also conferred by the Philippine Regulatory Board of Accountancy as a recipient of the Accounting Centenary Award of Excellence given to the 100 most notable CPAs in Philippine Accounting history.

Darlene Marie B. Berberabe* was elected as an Independent Director of the Board of Directors of SM Prime in April 2021. She is a lawyer, management consultant, and academic. She is the Dean of the UP College of Law and holds directorates in Joy-Nostalg Solaris Inc., Palm Concepcion Power Corporation, PA Alvarez, Katapult Digital and UnionDigital Bank. She is also a faculty member of the Philippine Judicial Academy. She is also elected to the Board of Trustees of The Outstanding Women in Nation Service, Philippine Heart Association and University of the Philippines (UP) Law Alumni Foundation. She was an associate lawyer in Quisumbing Torres Law Firm with specialization on labor law. Post law firm, she joined Procter & Gamble Philippines where she was a Senior Counsel and member of the Leadership Team. In 2010, she was appointed by the President of the Republic of the Philippines as the CEO of Pag-IBIG Fund. She was a recipient of a number of awards including Outstanding CEO in Asia by the ADFIAP, Outstanding CEO in the public sector by Asia CEO, one of the The Outstanding Women in Nation Service in 2013, and one of the 100 Most Influential Filipino Women in 2014. She graduated with a degree in Philosophy from UP, summa cum laude and class valedictorian of the College of Social Sciences and Philosophy in 1989. She was the first female Philosophy instructor in the same school where she taught for 10 years, and has a Masters in Philosophy. She was a working student and graduated salutatorian of her class in UP Law in 1999.

* *Independent director – The Independent Directors of the Company are Messrs.* ***Amando M. Tetangco, Jr. and J. Carlitos G. Cruz, and Ms. Darlene Marie B. Berberabe****. The Company has complied and will comply with the Guidelines set forth by Securities Regulation Code (SRC) Rule 38, as amended, regarding the Nomination and Election of Independent Directors. The Company's By-Laws incorporate the procedures for the nomination and election of independent director/s in accordance with the requirements of the said Rule.*

Jeffrey C. Lim was appointed President of SM Prime in October 2016 and has been reappointed since then. He is a member of the Company's Executive Committee. He was elected to the Board of Directors of SM Prime in April 2016. He concurrently holds various board and executive positions in other SMPH's subsidiaries. He is a Certified Public Accountant and holds a Bachelor's degree in Accounting from the University of the East. Prior to joining the Company in 1994, he worked for a multi-national company and for SGV & Co.

Hans T. Sy is the Chairman of the Executive Committee of SM Prime and has been a Director of the Company since 1994. He previously held the position of President of SM Prime until September 2016. He also held key positions in several companies engaged in banking, real estate development, mall operations, as well as leisure and entertainment. He is currently Adviser to the Board of SMIC, Chairman of China Banking Corporation, and Chairman of National University. Mr. Sy holds a B.S. Mechanical Engineering degree from De La Salle University.

Herbert T. Sy has been a director of the SM Prime since 1994. He is also an Adviser to the Board of SMIC and is currently the Chairman of Supervalue Inc., Super Shopping Market Inc. and Sanford Marketing Corporation and Director of Alfamart Trading Philippines Inc. and China Banking Corporation. He also sits in the Board of several companies within the SM Group and has worked with SM companies engaged in food retail for more than 35 years. He is likewise actively involved in the SM Group's Supermarket Operations, which include acquisition, evaluation and negotiation for potential sites. He holds a Bachelor's degree in Management from De La Salle University.

Jorge T. Mendiola has been a director of SM Prime since 2012. He is also currently a Director of SM Retail, Inc. He started his career with The SM Store as a Special Assistant to the Senior Branch Manager in 1989 and rose to become its President in 2011. He is also currently the Vice Chairman for Advocacy of the Philippine Retailers Association. He received his Master's degree in Business Management from the Asian Institute of Management. He holds an A.B. Economics degree from Ateneo de Manila University.

Elmer B. Serrano is the Corporate Secretary of SM Prime since November 2014. Mr. Serrano is a practicing lawyer specializing in corporate law and is the Managing Partner of the law firm SERRANO LAW. Mr. Serrano has been awarded "Asia Best Lawyer" by the International Financial Law Review (IFLR), "Leading Lawyer-Highly Regarded" by IFLR 1000, and named "Leading Individual" by the Legal 500 Asia Pacific.

Mr. Serrano is also the Corporate Secretary of publicly-listed companies SMIC, Atlas Consolidated Mining and Development Corporation, Premium Leisure Corp. and DFNN Inc. He is also the Corporate Information Officer of BDO Unibank, Inc. and serves as the corporate secretary of bank's subsidiaries and affiliates. Mr. Serrano also sits as a director of several public companies. He is the Chairman of Dominion Holdings, Inc. (formerly BDO Leasing and Finance, Inc.), a director of EEI Corporation and DFNN Inc., and an independent director of Philippine Telegraph and Telephone Corporation and Benguet Corporation. He is also a director of 2GO Group, Inc.

Mr. Serrano is also counsel to financial industry institutions such as the Bankers Association of the Philippines and the Philippine Payments Management, Inc. and the PDS Group of Companies. Mr. Serrano is a Certified Associate Treasury Professional and was among the top graduates of the Trust Institute of the Philippines in 2001. Mr. Serrano holds a Juris Doctor degree from the Ateneo de Manila University and a BS Legal Management degree from the same university.

Atty. Arthur A. Sy is the Assistant Corporate Secretary of SMPH. He is the Senior Vice President for Legal Department of SMIC, where he also serves as the Assistant Corporate Secretary. He is likewise the currently appointed Assistant Corporate Secretary of Belle Corporation, Premium Leisure Corp. and 2GO Group, Inc. and the Corporate Secretary of various major companies within the SM Group and the National University. A member of the New York Bar, Atty. Sy holds a Juris Doctor degree from the Ateneo de Manila University, School of Law.

Executive Officers

John Nai Peng C. Ong is the Chief Finance Officer, Chief Compliance Officer, Corporate Information Officer and a member of the Company's Executive Committee. He holds various board and executive positions in other SMPH's subsidiaries. He is a Certified Public Accountant and holds a Bachelor of Science degree in Accounting from Ateneo de Zamboanga University. He received his Master in Management from the Asian Institute of Management. Prior to joining the Company in 2014, he was an Assurance Partner in SGV & Co.

Marvin Perrin L. Pe is the Vice President for Internal Audit and Chief Audit Executive. He holds a Bachelor of Science degree in Accountancy from Centro Escolar University. He has completed his Masters in Management Degree, with distinction, from the Asian Institute of Management. Mr. Pe is a Certified Public Accountant, Certified Internal Auditor and has a Certification in Control Self-Assessment. Before joining SM Prime, Mr. Pe was an Assurance Partner of SGV & Co.

Joana B. Tiangco is the Chief Risk Officer of SM Prime and has been with the Company since 2016. She was formerly a compliance and risk officer of the Bank of the Philippine Islands, where she gained over 10 years' experience in banking, compliance and risk management.

Ms. Tiangco holds a Bachelor of Science in Management of Financial Institutions from the De La Salle University-Manila, with various training in areas of management, business continuity, operations and control, AML, corporate governance, insurance, leadership management, ethics and compliance, and sustainability, among others.

Steven T. Tan is the President of SM Supermalls and handles mall properties in the Philippines and China. He took up Business Management at University of Santo Tomas and completed his Masters in Business Administration from Paris School of Management. Mr. Tan began his career in Howard Plaza Hotel at Taipei, Taiwan from 1990 to 1998 and moved to Shanghai, China to form part of the opening team of the Barcelo Grand Hotel. He returned to the Philippines in 2001 to work as Regional Director of Marketing and Communications for FilBarcelo, handling external affairs for the group. In 2004, he joined SM handling mall operations for The Podium and in January 2006, led the launch and operations of SM Mall of Asia.

Jose Mari H. Banzon is the President for Residential (Primary). He holds a Bachelor of Arts degree in Economics and a Bachelor of Science degree in Management of Financial Institutions from De La Salle University. Prior to joining SMDC in 2013, he was executive vice president and general manager of Federal Land, Inc. He had also worked in the corporate banking department of various financial institutions in the Philippines and Hong Kong.

Shirley C. Ong is the Business Unit Head for Residential (Leisure). She is also the President / CEO of Highlands Prime Inc., and the President / Chairman of Costa del Hamilo. She is also the Director of the Midlands Golf and Country Club. Before joining the Company, she was First Vice President for Business Development of Filinvest Alabang, Inc. from 1995 to 2009. She brings with her over 29 years of experience, 25 years of which has been in various areas of real estate from city development, office/residential, high rise development, residential village development including finance, marketing, sales and property management. She graduated cum laude with a bachelor's degree in Arts, Major in Economics from the University of Sto. Tomas.

Antonio Felix L. Ortiga is the Business Unit Head for Commercial Property Group. He joined the CDHI team in 2014, overseeing numerous functions, including Projects, Sales, and Property Operations. Before joining SM Group, he had local and international experience with well-established and recognized companies, spanning industries that include luxury goods and real estate financing. A graduate of Georgetown University's McDonough School of Business in Washington DC, USA with a degree of Bachelor of Science in Business Administration, Double Major in Finance and Marketing, Magna Cum Laude, he also completed his Masters of Business Administration with focus on Finance Concentration in 2007 at the Hong Kong University of Science and Technology.

Ma. Luisa E. Angeles is the Business Unit Head for Hotels and Convention Centers. She holds a Bachelor of Science degree in Hotel and Restaurant Administration from the University of the Philippines, Diliman. She has more than 40 years of domestic and international work expertise in the hotel management industry specifically in the field of sales, marketing, revenue management, events handling, operations, project development and management.

Glenn D. Ang is the President of SM Smart City. He previously held the position of Senior Vice President for Operations of SM Supermalls where he joined the company since 1992. He is a Certified Public Accountant and holds a Bachelor's degree in Accounting from San Beda University. He received his Post Graduate Certificate in Management Development Program from the Asian Institute of Management. Mr. Ang worked for SGV & Co. prior to joining the Company.

The Directors of the Company are elected at the Annual Stockholders' Meeting. Directors will hold office for a term of one (1) year or until the next succeeding annual meeting and until their respective successors have been elected and qualified. The Directors possess all the qualifications and none of the disqualifications provided for in the SRC and its Implementing Rules and Regulations.

Procedure for Nomination of Directors:

- Any stockholder of record, including a minority stockholder, as of Record Date may be nominated for election to the Board of Directors of SMPH.

- The Corporate Governance Committee passes upon, and deliberates on, the qualifications of all persons nominated to be elected to the Board of Directors of SMPH, and pre-screens nominees from the pool of candidates submitted by the nominating stockholders in accordance with the Company's By-laws and Manual of Corporate Governance. The Corporate

Governance Committee shall prepare a Final List of Candidates containing information of the listed nominees, from the candidates who have passed the Guidelines, Screening Policies and Parameters for the nomination of directors. Only nominees qualified by the Corporate Governance Committee and whose names appear on the Final List of Candidates shall be eligible for election as director of the Company. No other nomination shall be entertained after the Final List of Candidates shall have been prepared. No further nomination shall be entertained or allowed on the floor during the actual annual stockholders' meeting.

- In case of resignation, disqualification or cessation of directorship before the next annual stockholders' meeting, the vacancy shall be filled by the vote of at least a majority of the remaining directors, provided, the Board of Directors still constituting a quorum and only after notice has been made with the Commission within five (5) days from such resignation, disqualification or cessation of directorship, upon the pre-qualification of the Corporate Governance Committee. Otherwise, the vacancy shall be filled by stockholders in a regular or special meeting called for that purpose. The director so elected to fill a vacancy shall serve only for the unexpired term of his or her predecessor in office.

All new directors will undergo an orientation program soon after election. This is intended to familiarize the new directors on their statutory/fiduciary roles and responsibilities in the Board and its Committees, SMPH's strategic plans, enterprise risks, group structures, business activities, compliance programs, and other Company policies but not limited to Code of Business Conduct and Ethics, Insider Trading Policy and Corporate Governance Manual.

All directors are also encouraged to participate in continuing education programs at SMPH's expense to promote relevance and effectiveness and to keep them abreast of the latest developments in corporate directorship and good governance.

Aside from the Directors and Executive Officers enumerated above, there are no other employees expected to hold significant executive/officer position in the Company.

All directors are also required to participate in continuing education programs to promote relevance and effectiveness and to keep them abreast of the latest developments in corporate directorship and good governance. For Year 2023, all directors and key officers have attended the Annual Corporate Governance Training Programs conducted by SMIC, BDO Unibank, Inc and China Banking Corporation which were facilitated by Institute of Corporate Directors, Good Governance Advocate and Practitioners of the Philippines, and Risks, Opportunities, Assessment and Management (ROAM), Inc. on May 16, August 2, October 16 and December 15. Each director and key officer has attended at least one training session. The 4-hour annual CG training conducted by the aforementioned providers covered the following topics:

- Ethical Decision-Making Models
- Digital Transformation: Case Studies and Success Stories
- Global Trends in Banking: Business and Technology Generative Artificial Intelligence
- Global Economic and Geopolitical Outlook
- Business Trends and Insight
- Generative A.I. and Cybersecurity
- Corporate Governance Regulatory Updates
- 2023 Global and Regional Trends in Corporate Governance (Asia-Pacific, America and Europe)
- Corporate Sustainability/Sustainability Reporting
- RP Economic Statistics
- Global and Local Economic, Political and Other Challenges
- Impact of Artificial Intelligence on Business and Society

Name	Date	Program	Provider
Henry T. Sy, Jr.	16-Oct-23	2023 Corporate Governance Seminar	Institute of Corporate Directors
Hans T. Sy	2-Aug-23	2023 Corporate Governance Seminar	Good Governance Advocates and Practitioners of the Philippines
Herbert T. Sy	2-Aug-23	2023 Corporate Governance Seminar	Good Governance Advocates and Practitioners of the Philippines
J. Carlitos G. Cruz	16-Oct-23	2023 Corporate Governance Seminar	Institute of Corporate Directors
Darlene Marie B. Berberabe	16-Oct-23	2023 Corporate Governance Seminar	Institute of Corporate Directors
Amando M. Tetangco, Jr.	16-Oct-23	2023 Corporate Governance Seminar	Institute of Corporate Directors
Jorge T. Mendiola	15-Dec-23	Corporate Governance Webinar	Risks, Opportunities, Assessment and Management (ROAM), Inc.
Jeffrey C. Lim	16-Oct-23	2023 Corporate Governance Seminar	Institute of Corporate Directors
Elmer B. Serrano	16-Oct-23	2023 Corporate Governance Seminar	Institute of Corporate Directors
Arthur A. Sy	16-Oct-23	2023 Corporate Governance Seminar	Institute of Corporate Directors
John Nai Peng C. Ong	16-Oct-23	2023 Corporate Governance Seminar	Institute of Corporate Directors
Marvin Perrin L. Pe	16-Oct-23	2023 Corporate Governance Seminar	Institute of Corporate Directors
Joana B. Tiangco	16-Oct-23	2023 Corporate Governance Seminar	Institute of Corporate Directors
Steven T. Tan	16-Oct-23	2023 Corporate Governance Seminar	Institute of Corporate Directors
Jose Mari M. Banzon	16-Oct-23	2023 Corporate Governance Seminar	Institute of Corporate Directors
Shirley C. Ong	16-Oct-23	2023 Corporate Governance Seminar	Institute of Corporate Directors
Ma. Luisa E. Angeles	16-Oct-23	2023 Corporate Governance Seminar	Institute of Corporate Directors
Antonio Felix L. Ortiga	16-Oct-23	2023 Corporate Governance Seminar	Institute of Corporate Directors
Glenn D. Ang	16-Oct-23	2023 Corporate Governance Seminar	Institute of Corporate Directors

Succession Planning Policy:

SM Prime Board of Directors ensures and adopts an effective succession planning for SM Prime Property Group. In order to ensure stability and continuity of the SM Prime mission and goals, this policy is created to address human resource requirements to fill senior and key leadership positions. This is marked by early planning and mentoring to allow smooth organizational and operational transitioning.

This policy is guided by the following principles:

- The Company recognizes and supports the continual development of its internal talent pools and ensure that the leadership pipeline shall embody appropriate competencies, stature and qualifications needed for the mission critical positions. Furthermore, the maturity of character and ability to effectively assimilate into the SM culture are critical.
- Succession Planning Program is one of the top priorities in the Human Resources (HR) agenda by ensuring that the right leaders and talents are in place to drive business plans.
- Human Resources ensures that there is a sufficient internal qualified candidates that will be given priority to provide value to employee development efforts.

Policy Guidelines

- In consultation with the Top Management, the HR monitors the talent management implementation focused on identified Mission Critical Positions across the Property Group to sustain the Company's long-term goals.
- Each officer in mission critical positions shall nominate high potential successors and determine their readiness to assume greater responsibilities within 5 years from his / her mandatory retirement from the Company. In this manner, the senior officer will have the opportunity to guide, mentor, and assess the best person to assume the post amongst the pool of possible successors as part of the succession planning and development process.
- Talent review shall be conducted at the senior management level two (2) years prior to retirement to select the most qualified successor, which will need the final approval of the Executive Committee. Upon selection, the outgoing key officer shall take on a senior advisory role over the candidate to commence the transition and development process until his/her separation.
- Human Resources in coordination with the outgoing officer shall adopt learning and training programs and oversee that these are appropriate and responsive to the professional development needs of the successor. The Company, when necessary, may also subject the successor to external trainings to infuse fresh ideas and augment gaps in the required competencies to continually evolve and adapt to remain ahead of the strategic, market, technology and regulatory shifts.
- Successors shall possess a high level of integrity, competency and appropriate qualifications required for the role of the identified positions.
- The Corporate Governance Committee and the Group Human Resources shall be responsible in implementing the policy and evaluating gaps, and shall make recommendations to improve the succession planning process.

Monitoring and Review

The Board, through the Corporate Governance Committee, shall oversee the implementation of this policy. The Committee shall also conduct a review and propose changes from time to time or as needed, to ensure the adequacy of this policy.

A testament of SM Prime's succession framework is its President, Mr. Jeffrey Lim. Mr. Lim joined the Company in 1994 and was groomed to become a member of the Board and was appointed as President in October 2016. On another note, SM Prime's non-executive director, Mr. Jorge T. Mendiola started his career with The SM Store as a Special Assistant to the Senior Branch Manager in 1989 and rose to become the President in 2011.

Further, the Corporate Governance Committee uses a Board Matrix to ensure that the Board has an appropriate mix of directors to fulfill its roles and responsibilities and respond to the needs of the organization based on the evolving business environment and strategic direction. The Company's Board Matrix sets out the mix of attributes, skills, competencies and experience, affiliations the Board currently has and is looking for to complement its existing composition. Its structure reflects the areas relevant to the Company's strategic objectives, as well as other areas of general relevance to the composition of the Board.

Board Evaluation:

The Board, through the Corporate Governance Committee, facilitates the annual self-assessment of the performance of the Board as a whole, its Committees, the Board Chairman and individual directors.

Self-evaluation forms were provided to the directors. The evaluation covered the following criteria:

1. Collective Board rating – Includes among others, Board diversity; oversight on Company's policies and strategies relating to sustainability and alignment with economic, environmental, social and governance (EESG) best practices; fostering of constructive and engaging debate and; fulfillment of duties and responsibilities as embodied in the Board charter.
2. Individual characteristics as a Board member – Specifies the qualifications and abilities a director shall possess; this includes among others, strategic vision, time availability, commitment, intellectual independence, ability to ask tough questions, contribution to the group, and continuous self-education and development
3. Collective Board Committee rating – Includes among others, balanced participation of directors, ability to access information necessary to perform its functions, and fulfillment of its duties and responsibilities as embodied in their respective Committee charter
4. Chairperson's role – Specifies the qualities and responsibilities of the Board and Committee Chairman
5. President's role - Specifies the qualifications and abilities of the President which includes among others, determination of Company's strategic direction and formulate and implement its strategic plan on the direction of the business, oversee the operations of the Corporation and manage human and financial resources in accordance with the strategic plan, possesses good working knowledge of the Company's industry and market and keep up-to-date with its core business purpose etc.

Further, performance assessment is also conducted for SM Prime's Management Team composed of the Company President, Chief Compliance Officer (CCO), Chief Risk Officer (CRO) and Chief Audit Executive (CAE).

The Chairman of the Corporate Governance Committee, Board Risk Oversight Committee and Audit Committee evaluates the Company's CCO, CRO and CAE, respectively. On the other hand, the Board, through the Chairman of the Executive Committee, conducts an assessment for the performance of the Company President.

All evaluations are based on the duties and responsibilities of each concerned key officer as listed in the Revised Manual on Corporate Governance.

In 2022, the Company engaged the services of Institute of Corporate Directors, aims to assess the Board's Structure and Composition, Board member's understanding of their Responsibilities and Duties, Processes that support the Board's functions, and Dynamics of the Board. This was done through questionnaires with quantitative and qualitative questions accomplished by each member of the Board. The process was also supported by individual interviews with all the members of the Board which were completed from April to June 2022.

The following are the results of the evaluation as stated in its formal report;

Board Attributes:

- *SM Prime has a strong culture of compliance. Management ensures policies are deployed properly to the whole organization.*
- *The Board's Structure is well-defined and defined roles are observed in practice.*
- *Discussions are open on both committee and board level. Management executives are engaged in Board meetings.*
- *The Board value good governance and sustainability, which is always the underlying value for each report, policy, and program.* "

The results of the assessment including the recommendations to further strengthen the Board's function were presented by the Corporate Governance (CG) Committee in its meeting last August 1, 2022. The CG Committee will take the lead to address the action items and will monitor its progress. The next board evaluation to be conducted by an external facilitator will be performed in 2025.

All SMPH directors are expected to exercise due discretion in accepting and holding directorships outside of the Company. The directors notify the Board prior to accepting directorship in another company. The following are directorships held by SMPH Directors and Executive Officers in other reporting companies, in the last five (5) years:

Henry T. Sy, Jr.

Name of Corporation	***Position***
Synergy Grid & Development Phils., Inc.	Chairman of the Board
SM Investments Corporation	Vice Chairman

Amando M. Tetangco, Jr.

Name of Corporation	***Position***
SM Investments Corporation	Chairman/Independent Director
Belle Corporation.	Independent Director
Converge ICT Solutions, Inc.	Independent Director
Shell Pilipinas Corporation...	Independent Director

J. Carlitos G. Cruz

Name of Corporation	***Position***
Vivant Corporation	Independent Director

Hans T. Sy

Name of Corporation	***Position***
China Banking Corporation	Chairman
SM Investments Corporation.	Adviser to the Board

Herbert T. Sy

Name of Corporation	***Position***
China Banking Corporation	Director
SM Investments Corporation	Adviser to the Board

Elmer B. Serrano

Name of Corporation	***Position***
Dominion Holdings, Inc. *(formerly BDO Leasing Finance, Inc.)*...	Chairman
EEI Corporation……………………………………… ..	Director
DFNN, Inc……………………………………………	Director
Philippine Telegraph and Telephone Corporation………	Independent Director
Benguet Corporation……………………………………	Independent Director
2GO Group, Inc…………………………………………	Director

<u>Board Committees</u>

The members of the Audit Committee are:

AMANDO M. TETANGCO, JR.	-	Chairman (Independent Director)
DARLENE MARIE B. BERBERABE	-	Member (Independent Director)
J. CARLITOS G. CRUZ	-	Member (Independent Director)
JORGE T. MENDIOLA	-	Member

The members of the Corporate Governance Committee are:

DARLENE MARIE B. BERBERABE	-	Chairperson (Independent Director)
J. CARLITOS G. CRUZ	-	Member (Independent Director)
AMANDO M. TETANGCO, JR.	-	Member (Independent Director)

The members of the Risk Oversight Committee are:

J. CARLITOS G. CRUZ	-	Chairman (Independent Director)
AMANDO M. TETANGCO, JR.	-	Member (Independent Director)
JORGE T. MENDIOLA	-	Member

The members of the Related Party Transactions Committee are:

DARLENE MARIE B. BERBERABE	-	Chairperson (Independent Director)
AMANDO M. TETANGCO, JR.	-	Member (Independent Director)
JORGE T. MENDIOLA	-	Member

The members of the Executive Committee are:

HANS T. SY	-	Chairman
HENRY T. SY, JR.	-	Member
HERBERT T. SY	-	Member
ELIZABETH T. SY	-	Member
JEFFREY C. LIM	-	Member
JOHN NAI PENG C. ONG	-	Member

Mr. Amando M. Tetangco, Jr. is the Company's Lead Independent Director.

Directors and Officers for 2024-2025

The Corporate Governance Committee, confirmed by the Board, pre-qualified the following nominee for election as directors for 2024-2025 at the forthcoming Annual Stockholders' Meeting:

HENRY T. SY, JR.	-	Chairman
AMANDO M. TETANGCO, JR.	-	Vice-Chairman (Lead Independent Director)
J. CARLITOS G. CRUZ	-	Independent Director
DARLENE MARIE B. BERBERABE	-	Independent Director
HANS T. SY	-	Director
HERBERT T. SY	-	Director
JORGE T. MENDIOLA	-	Director
JEFFREY C. LIM	-	Director

Ms. Precious V. Petalio, among others, nominated to the Board for inclusion in the Final List of Candidates for Independent Directors the following stockholders:

Amando M. Tetangco, Jr.
J. Carlitos G. Cruz
Darlene Marie B. Berberabe

Ms. Petalio is not related to Messrs. Amando M. Tetangco, Jr and J. Carlitos G. Cruz, and Ms. Darlene Marie B. Berberabe.

The Company has complied with the Guidelines set forth by SRC Rule 38, as amended, regarding the Nomination and Election of Independent Directors. The same provision has been incorporated in the Amended By-laws of the Company.

The nominee Independent Directors have also each executed sworn *Certifications on Qualifications and Disqualification of Independent Directors*, copies of which are here attached as Annex.

No Director has resigned or declined to stand for re-election to the Board since the date of the last meeting because of disagreement with the Company on any matter relating to the Company's operations, policies or practices.

As to Officers for 2024-2025, below is the list of nominees which will be presented at this year's organizational meeting of the Board of Directors:

Henry T. Sy, Jr.	Chairman
Amando M. Tetangco, Jr.	Vice Chairman and Lead Independent Director
Jeffrey C. Lim	President
John Nai Peng C. Ong	Chief Finance Officer/ Corporate Information Officer/ Chief Compliance Officer
Elmer B. Serrano	Corporate Secretary/Alternate Compliance Officer
Arthur A. Sy	Assistant Corporate Secretary/Alternate Corporate Information Officer
Marvin Perrin L. Pe	Chief Audit Executive
Joana B. Tiangco	Chief Risk Officer
Steven T. Tan	President, Malls
Jose Mari H. Banzon	President, Residential (Primary)
Shirley C. Ong	EVP, Residential (Leisure)
Antonio Felix L. Ortiga	VP, Commercial
Ma. Luisa E. Angeles	EVP, Hotels and Convention Centers
Glenn D. Ang	President, SM Smart City

Advisers to the Board

The members of the Board of Directors appointed the following persons as advisers to the Board:

Teresita T. Sy	Adviser to the Board
Elizabeth T. Sy	Adviser to the Board
Edward K. Lee	Independent Adviser to the Board

Family Relationships

Ms. Teresita T. Sy, Ms. Elizabeth T. Sy, Mr. Henry T. Sy, Jr., Mr. Hans T. Sy and Mr. Herbert T. Sy are sons and daughters of the late Mr. Henry Sy, Sr. All other directors and officers are not related to each other either by consanguinity or affinity.

Involvement in Legal Proceedings

The Company is not aware of any of the following events having occurred during the past five (5) years up to the date of this report that are material to an evaluation of the ability or integrity of any director or any member of senior management of the Company:

(a) any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;
(b) any conviction by final judgment, including the nature of the offense, in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;
(c) being subject to any order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities; and
(d) being found by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended or vacated.

ITEM 10. Compensation of Directors and Executive Officers

The following are the top highly compensated executive officers of the Company:

Name and Position
Jeffrey C. Lim President
John Nai Peng C. Ong Chief Finance Officer/ Corporate Information Officer/ Chief Compliance Officer
Steven T. Tan President, Malls
Jose Mari H. Banzon President, Residential (Primary)
Shirley C. Ong EVP, Residential (Leisure)

Summary Compensation Table (In Million Pesos)

	Year	Salary	Bonus
President & 4 Most Highly Compensated Executive Officers	2024 (estimate)	188	32
	2023 (actual)	174	29
	2022 (actual)	161	26
All other officers* as a group unnamed	2024 (estimate)	479	81
	2023 (actual)	443	74
	2022 (actual)	409	68

**Managers & up*

In 2023, incumbent directors of SMPH received the following amount of fees as compensation for their performance of duties and functions as members of the Board of Directors of the Company:

Board of Directors	Total Compensation per Director
Amando M. Tetangco, Jr. (Independent Director)	₱ 6,200,000
J. Carlitos G. Cruz (Independent Director)	₱ 5,100,000
Darlene Marie B. Berberabe (Independent Director)	₱ 4,900,000
Henry T. Sy, Jr.	₱ 120,000
Hans T. Sy	₱ 60,000
Herbert T. Sy	₱ 60,000
Jorge T. Mendiola	₱ 100,000
Jeffrey C. Lim	₱ 60,000

These fees include per diem received by the directors for their attendance in meetings of the Board.

The total amount of fees for 2023 allocated among directors does not exceed 10% of the total income of the Company before tax for 2023 in accordance with the Company's By-laws and relevant laws and regulations.

There are no outstanding warrants or options held by directors and officers of the Company. There are also no actions to be taken with regard to election, any compensatory plan, contract, or arrangement, any bonus or profit-sharing, change in pension/ retirement plan, granting of or extension of any options, warrants or rights to purchase any securities.

There are no other employees who are not Executive Officers who are expected by Company to make significant contribution to its business.

ITEM 11. Security Ownership of Certain Beneficial Owners and Management

Security Ownership of Certain Record and Beneficial Owners as of December 31, 2023

The following are the stockholders owning more than 5% of total outstanding common shares of stock of the Company as of December 31, 2023:

Title of Securities	Name and Address of Record Owner and Relationship with the Company	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	Amount and Nature of Direct Record/ Beneficial Ownership ("r" or "b")	Percent of Class (%)
Common	**SMIC *(Ultimate Parent Company)***[1] One Ecom Center, Harbor Drive, Mall of Asia Complex, CBP-1A, Pasay City	**SMIC**[2]	Filipino	14,353,464,952 (b)	49.7017
-do-	**PCD Nominee Corporation** [3] **(PCNC)** [3] 37F Tower 1, The Enterprise Center, Ayala Ave., Makati City	**PCD Participants**[4]	Filipino – 10.46% Non-Filipino – 24.18%	10,001,576,196 (r)	34.6324

1. The following are the individuals holding the direct beneficial ownership of SMIC: Hans T. Sy - 8.59%, Herbert T. Sy - 8.11%, Harley T. Sy - 7.64%, Teresita T. Sy - 7.03%, Elizabeth T. Sy - 6.31%. The PCD participants have the power to decide how their shares are to be voted. There are no other individual shareholders which own more than 5% of the Company.

2. Amando M. Tetangco, Jr. is the Chairman of SMIC and Teresita T. Sy and Henry Sy, Jr. are the Vice Chairpersons of SMIC and as the appointed proxies of SMIC, they have the power to vote the common shares of SMIC in SM Prime.

3. PCNC holds legal title to shares lodged in the Philippine Depository & Trust Corp. (PDTC). Beneficial owners retain the power to decide on how their lodged shares are to be voted. There are no beneficial owners under PCNC which own more than 5% shares of stock of the Company.

4 PCNC is not related to the Company. PCNC is a nominee company which holds legal title to shares lodged in PDTC.

Security Ownership of Management as of December 31, 2023

Title of Securities	Name of Beneficial Owner of Common Stock	Citizenship Filipino (F)	Amount and Nature of Beneficial Ownership (D) Direct (I) Indirect	Class of Securities Voting (V)	Percent of Class (%)
Common	Henry T. Sy, Jr.	F	291,611,915 (D&I)	V	1.0098
-do-	Hans T. Sy	F	682,162,901 (D&I)	V	2.3621
-do-	Teresita T. Sy	F	667,272,021 (D)	V	2.3106
-do-	Elizabeth T. Sy	F	667,166,537 (D)	V	2.3102
-do-	Herbert T. Sy	F	666,953,011 (D)	V	2.3094
-do-	Jorge T. Mendiola	F	703,167 (D)	V	0.0024
-do-	Jeffrey C. Lim	F	50,000 (D)	V	0.0002
-do-	Amando M. Tetangco, Jr.	F	1,000 (D)	V	0.0000
-do-	J Carlitos G. Cruz	F	100 (D)	V	0.0000
-do-	Darlene Marie B. Berberabe	F	100 (D)	V	0.0000
-do-	Glenn D. Ang	F	95,300 (D)	V	0.0003
-do-	Steven T. Tan	F	52,700 (D)	V	0.0002
-do-	Jose Mari H. Banzon	F	25,000 (D)	V	0.0001
-do-	Antonio Felix L. Ortiga	F	5,000 (D)	V	0.0000
-do-	Joana B. Tiangco	F	3,600 (D)	V	0.0000
	All directors and executive officers as a group		**2,976,102,352**		**10.3053**

There are no persons holding more than 5% of a class under a voting trust or any similar agreements as of December 31, 2023.

There are no existing or planned stock warrant offerings by the Company. There are no arrangements which may result in a change in control of the Company.

ITEM 12. Certain Relationships and Related Transactions

The Company, in the regular course of trade or business, enters into transactions with affiliates/ related companies principally consisting of leasing agreements, management fees and cash placements. Generally, leasing and management agreements are renewed on an annual basis and are made at normal market prices. Outstanding balances at year-end are unsecured, noninterest-bearing and generally settled within 30 to 90 days. In addition, the Company also has outstanding borrowings/ placements from/ to related banks. There have been no guarantees/collaterals provided or received for any related party receivables or payables. For the year ended December 31, 2023, the Company has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

In compliance with regulations of the SEC, specifically, SEC Memorandum Circular No. 10, series of 2019 (Rules on Material Related Party Transactions for Publicly-Listed Companies), SMPH has adopted a *Revised Related Party Transactions Policy* which incorporated rules on material related party transactions of the Company. A copy of the Policy is available in the Company's website. The Policy mainly provides that the Company's Board of Directors shall ensure that transactions with related parties are handled in a sound and prudent manner, with integrity, and in compliance with applicable laws and regulation to protect the interests of the Company's shareholders and other stakeholders. All material individual related party transactions are referred to the Chief Risk Officer for review and endorsement to Related Party Committee prior to approval by at least two-thirds (2/3) vote of the Board of Directors with at least a majority of the independent directors approving the transaction.

Please refer to Note 19 of the attached 2023 audited consolidated financial statements of the Company for the description of related party transactions of SMPH. These are non-material transactions and arrangements in the ordinary course of business and include lease agreements for office and commercial spaces with related companies such as SM Retail, BDO Unibank, Inc. (BDO) and China Banking Corporation (China Bank), among others, the provision of manpower and other services to affiliates, as well as treasury transactions (e.g. maintenance of depository accounts, cash placements and loan availments in the ordinary course of business with BDO and China Bank) which are all on an arms' length basis in accordance with the Company's *Revised Related Party Transactions Policy* and priced based on prevailing market rates.

There are no other transactions undertaken or to be undertaken by the Company in which any director or executive officer, nominee for election as director, or any member of their immediate family was or will be involved or had or will have a direct or indirect material interest. There are likewise no material related party transactions undertaken or to be undertaken by the Company.

There are no third parties (not related parties) with whom the Company or its related parties have a relationship that enable the parties to negotiate terms of material transactions that may not be available from other, more clearly independent, parties on an arm's length basis.

PART IV - CORPORATE GOVERNANCE

ITEM 13. Corporate Governance

A significant contributor to the Company's continued success is the commitment of its directors, officers and employees to foster a culture of fairness, integrity, accountability and transparency at all levels within the organization. Through the Company's Revised Manual on Corporate Governance (Manual), various initiatives were launched in line with the best practices as contained in the Manual. There have been no deviations from the Manual since it was adopted. The Company certifies that its directors, officers and employees have adopted and fully complied with all leading practices and principles of good corporate governance as provided by the Manual. The Company is fully compliant with the Manual and thus, does not have any deviation from the said Manual.

In the recent update of the Manual approved by the Board on November 7, 2022, Board and Committees' Charters, oversight responsibilities were added relative to the Company's sustainability and Anti-Money Laundering and Countering Terrorism Financing policies and strategies, among others. Additional clauses on promotion of shareholder's rights, strengthening the external auditor's independence and permanent disqualifications of directors were also incorporated.

The Manual institutionalizes the principles of good corporate governance. It recognizes that adherence with the principles of good corporate governance should emanate from the Board of Directors. To this end, a director must act in a manner characterized by transparency, accountability and fairness. The Manual describes the general responsibilities and specific duties and functions of the Board, as well as those of the Board Committees, Corporate Secretary, and external and internal auditors. To effectively perform the Board's duties, the Company ensures that board meetings are scheduled before the start of the financial year and board papers for board of directors' meetings are provided at least five (5) working days in advance of the board meeting by these By-laws, provided such matter does not require approval or consent of stockholders.

The Board is also assisted by a Corporate Secretary to ensure the effective discharge of its duties and responsibilities. The Corporate Secretary assists the Chairs of the Board and its Committees in the preparation of agenda for Board meetings, puts the Board on notice before every meeting and assists the Board in making business judgments in good faith. The Corporate Secretary gathers and analyzes documents, records, and other information, including updates and changes to relevant rules, laws, and regulations, and keeps the Board abreast on matters essential to the conduct of their duties and responsibilities.

Further, the Company's By-laws states the Board of Directors corporate powers in the conduct of all businesses and control of the corporation's properties. This includes, among others, (1) to make or change rules and regulations not inconsistent with the Company By-Laws for the management of the corporation, (2) to incur indebtedness as the Board may deem necessary, and (3) to implement the By-laws and to act on any matter not covered by these By-laws, provided such matter does not require approval or consent of stockholders. The Company's revised By-laws also states that at least two-thirds of number of directors specified in the Articles of Incorporation shall constitute a quorum for the transaction of business at any meeting, and the act of the directors at any meeting where there is a quorum shall be valid as a corporate act.

The Revised Manual on Corporate Governance also asserts the rights of stockholders and protection of minority interests. It is the duty of directors to promote stockholder rights, remove impediments to the exercise of these rights and allow possibilities for stockholders to seek redress for violation of their rights.

Rights of Shareholders

Voting Right - All stockholders are entitled to vote following the cumulative voting system. Stockholders, whether individual or institutional, through their representative, are encouraged to personally attend the Annual Stockholders' Meeting to exercise their voting right, thereby allowing them to individually elect candidates to the Board of Directors and vote on matters requiring stockholder approval. Nevertheless, proxy voting is permitted and is facilitated through proxy forms available in our Company's website and distributed to stockholders along with the Notice of Meeting. When so authorized by the Board, stockholders may also vote through remote communication or *in absentia*. The Company shall ensure that there are clear guidelines for participation, appropriate requirements and procedures for *in absentia* voting by stockholders.

Inspection Right and Access to Information - All stockholders are given the right to inspect corporate books and records, including but not limited to the minutes of Board meetings and stock registries at reasonable hours on business days in accordance with Revised Corporation Code of the Philippines and be furnished with copies of our Company's Annual Report and financial statements, without cost or restrictions. Stockholders may also request our Company to provide periodic reports about its Directors and officers, as well as matters for which Management is accountable. Moreover, minority shareholders are granted the right to propose the holding of a meeting, and the right to propose items in the agenda of the meeting, provided the items are for legitimate business purposes, and in accordance with law, jurisprudence and best practice.

Right to Dividend - The Board determines the dividend payout taking into consideration the Company's operating results, cash flows, capital investment needs and debt servicing requirements. The Company's dividend guideline is to declare annual cash dividends equivalent to 30%-35% of prior year earnings and will endeavor to continue doing so while ensuring financial flexibility. Dividends shall be paid within thirty (30) days from the date of declaration.

Appraisal Right - Stockholders may exercise their appraisal right or the right to dissent and demand payment of the fair value of their shares pursuant to Section 80 of the Revised Corporation Code of the Philippines. Procedures for the exercise of this right are provided in the Definitive Information Statement.

Apart from above mentioned rights, corporate acts such as amendments to the Company's constitution, authorization of additional shares, and the transfer of all or substantially all assets, which in effect results in the sale of the Company, shall also be approved by the vote of stockholders owning at least two-thirds of the capital stock issued and outstanding of the Company. The agenda enclosed in the Notice of Annual Stockholders' Meeting would include such corporate acts for the consideration and approval of the stockholders.

SM Prime is also committed to providing its stockholders and the public, timely and accurate information about the Company and its business. In accordance with this, SM Prime regularly updates its website and practices full and prompt disclosure of all material information. The Company has also identified its key stakeholder groups and engagement channels to provide interactive communication regarding material and non-material matters relevant to its business objectives such as sustainability, social, and economic, among others.

Moreover, the Investor Relations Department is tasked with a program of proactive, uniform and appropriate communication through full disclosure in compliance with the regulatory bodies and serves as the main avenue of communication between the Company and its various stakeholders.

The Investor Relations Department of the Company may be contacted through:

Alexander Pomento
Vice President, Investor Relations
T: (632) 8831-1000
E: info@smprime.com
www.smprime.com

The Company stockholders also have the opportunity to approve the decision on total remuneration (fees, allowances, benefits-in-kind and other emoluments) of board of directors. The Company complies with Sec.29 of the Revised Corporation Code of the Philippines, which states that compensation other than per diems may be granted to directors by the vote of the stockholders representing at least a majority of the outstanding capital stock.

During the Annual Stockholders' Meeting, the stockholders ratify all acts of the Board and Management, including those pertaining to Board remuneration.

To operationalize the Manual and to continuously strengthen the Company's corporate governance culture, various efforts were done, which include, among others, (1) creation of policies, (2) conduct of classroom trainings and (3) cascade of e-Learning courses and email blasts relating to corporate governance matters.

The Company also adopted policies and guidelines to govern conflicts of interest, acceptance of gifts, insider trading and related party transactions, to name a few. In accordance with the Conflict of Interest Policy, all directors, officers and employees are required to disclose any financial or personal interest or benefit in any transaction involving the Company to ensure that potential conflicts of interest are immediately brought to the attention of Management. Further, a director with a material interest in any transaction affecting the Corporation shall abstain from taking part in the deliberations of the same.

The Company also issued a policy to prohibit its directors, officers and employees from soliciting or accepting gifts in any form from any business partner, except for corporate giveaways, tokens or promotional items of nominal value, and adopted guidelines to prohibit its directors, officers and employees from buying or selling shares of stock of listed SM companies while in possession of material and confidential information. Furthermore, through the Related Party Transactions Policy, the Company is committed to transparency by practicing full disclosure of the details, nature, extent, and all other material information on transactions with related parties in the Company's financial statements and quarterly and annual reports to the SEC and PSE. It is the Company's Related Party Transactions Committee who independently reviews and endorses all related party transactions such that these transactions are dealt on terms no less favorable to the company than those generally available to an unaffiliated third party under the same or similar circumstances. These rules supplement the existing corporate governance policies in the Manual on Corporate Governance and Code of Ethics.

Furthermore, the Human Resource Department's (HRD) orientation program gives new employees an overview of the various components of SM Prime's Corporate Governance Framework, the Code of Ethics and related policies which are also contained in an internal portal for employees' easy access and reference. It also covers the importance of ethics in the business, informs employees of their rights and obligations, as well as the principles and best practices in the promotion of good work ethics. Relative to this, the HRD, on an annual basis, requires all employees to take the 3-part Corporate Governance program. This specifically includes the following:

- Confirmation – to confirm that employees have read and understood and agrees to comply with our Company's Code of Ethics, Code of Discipline, Insider Trading Policy, Conflict of Interest Policy, Code of Conduct and Guidelines on Acceptance of Gifts and Travel Sponsored by Business Partners (Anti-Corruption Policy), among others.

- Handling Conflict of Interest Situations (E-Learning Course) – to be familiarized with the proper disposition of actual or perceived Conflict of Interest situations.

- Disclosure Survey – to disclose each employees' affiliations, interests, relationships, and/or transactions which are relevant for full disclosure of all actual, apparent or possible conflicts of interest.

The Integrated Annual Corporate Governance Report (I-ACGR) highlights the Company's corporate governance practices and provides detailed information on SM Prime's Board of Directors, Management, policies and programs. This is publicly available in the corporate website.

For governance related issues or concerns, stakeholders may refer to:

Joana B. Tiangco
Assistant Vice President – Enterprise Risk Management and Corporate Governance
7/F MOA Square, Seashell Lane cor. Coral Way, Mall of Asia Complex, Brgy. 76 Zone 10,
CBP 1-A, Pasay City, Metro Manila, Philippines
E: corpgovernance@smprime.com

PART V - EXHIBITS AND SCHEDULES

ITEM 14. Exhibits and Reports on SEC Form 17-C

(a) Exhibits - See accompanying Index to Exhibits

(b) Reports on SEC Form 17-C

Reports on Form 17-C (Current Report) have been filed during 2023.

(c.) Integrated Report - See accompanying Report

INDEX TO EXHIBITS

Form 17-A

* These Exhibits are either not applicable to the Company or require no answer.

SM PRIME HOLDINGS, INC.
INDEX TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULES

FORM 17-A, ITEM 7

** These schedules have been omitted because they are either not required, not applicable or the information required to be presented is included in the Company's audited consolidated financial statements or the notes to audited consolidated financial statements.*

SM PRIME HOLDINGS, INC.
INDEX TO ADDITIONAL DISCLOSURES

Additional Requirements

Statement of Management's Responsibility for Financial Statements

The management of SM Prime Holdings, Inc. and Subsidiaries is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, as at December 31, 2023 and 2022, and for each of the three years in the period ended December 31, 2023, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatements, whether due to fraud or error.

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

The Board of Directors is responsible for overseeing the Company'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 SM Prime Holdings, Inc. and Subsidiaries in accordance with the 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.

Henry T. Sy, Jr.
Chairman

Jeffrey C. Lim
President

John Nai Peng C. Ong
Chief Finance Officer

Signed this 19th of February, 2024

SUBSCRIBED AND SWORN to before me this FEB 2 6 2024 at PASAY CITY, affiants exhibiting to me their Philippine passports, as follows:

NAME	PASSPORT NO.	DATE OF ISSUE	PLACE OF ISSUE
HENRY T. SY, JR.	[redacted]		
JEFFREY C. LIM			
JOHN NAI PENG C. ONG			

Doc. No. 246;
Page No. 51;
Book No. III;
Series of 2024

ATTY. RONHEL VINN A. PAPA
Notary Public for Pasay City
Until December 31, 2024
IBP OR No. 324349/ 04-Dec-2023 / Roll No. 73157
PTR OR No. 8457592 1/04/24 / TIN# 743-448-049
MCLE Compliance No. VII-0025922 valid until 14 April 2025

SGV
Building a better working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
SM Prime Holdings, Inc.
7/F MOA Square
Seashell Lane cor. Coral Way
Mall of Asia Complex
Brgy. 76 Zone 10, CBP 1-A, Pasay City
Metro Manila, Philippines

Opinion

We have audited the consolidated financial statements of SM Prime Holdings, Inc. and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as at December 31, 2023 and 2022, 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, 2023, 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 Company as at December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2023 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company 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.

Real Estate Revenue and Cost Recognition

The Company'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 Company 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 Company 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 Company 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 Company's project engineers. This is based on the monthly project accomplishment report prepared by the third-party project managers as approved by the construction managers.

In determining the actual costs incurred to be recognized as cost of real estate sold, the Company estimates costs incurred on materials, labor and overhead which have not yet been billed by the contractor.

The Company identifies sales commissions after contract inception as cost of obtaining a contract. For contracts which qualified for revenue recognition, the Company capitalizes the total sales commissions due to sales agent as cost to obtain a contract and recognizes the related commissions payable. The Company uses percentage of completion (POC) method in amortizing sales commissions consistent with the Company's revenue recognition policy.

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

Audit Response

We obtained an understanding of the Company's real estate revenue and cost recognition process.

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 Company's process in assessing whether a contract contains a financing component and whether that financing component is significant to the contract. We selected sample contracts from the sales contract database and identified their payment terms. We traced these selected contracts to the financing component calculation prepared by management, which covers the calculation on whether the financing component of the Company's contract with customers is significant. For these selected contracts, we traced the underlying data and assumptions used in the financing component calculation such as transaction price, cash discount, payment scheme, payment amortization table, and percentage of completion to the contract provision and projected percentage of completion schedule. We evaluated the Company'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 percentage of completion, 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 Company'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 Company's cost accumulation process. 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 recognition of cost to obtain a contract, we obtained an understanding of the sales commissions process. For selected contracts, we agreed the basis for calculating the sales commissions capitalized and portion recognized in profit or loss, 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.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2023, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2023 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 PFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Company'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 Company'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 based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company'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 Company to cease to continue as a going concern.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Juan Miguel P. Machuca.

SYCIP GORRES VELAYO & CO.

Juan Miguel P. Machuca

Juan Miguel P. Machuca
Partner
CPA Certificate No. 116998
Tax Identification No. 226-074-253
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
BIR Accreditation No. 08-001998-140-2021, April 27, 2021, valid until April 26, 2024
PTR No. 10079963, January 6, 2024, Makati City

February 19, 2024

SM PRIME HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Amounts in Thousands)

	December 31	
	2023	2022
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 6, 19, 26 and 27)	**₱31,816,802**	₱42,060,082
Receivables and contract assets (Notes 7, 14, 19, 26 and 27)	**76,952,202**	82,560,354
Real estate inventories (Note 8)	**77,886,781**	70,500,025
Equity instruments at fair value through other comprehensive income (FVOCI) (Notes 9, 26 and 27)	**747,840**	534,865
Derivative assets (Notes 26 and 27)	**2,247,073**	585,576
Prepaid expenses and other current assets (Note 10)	**27,804,930**	25,767,334
Total Current Assets	**217,455,628**	222,008,236
Noncurrent Assets		
Equity instruments at FVOCI - net of current portion (Notes 9, 19, 26 and 27)	**19,570,212**	17,077,198
Investment properties (Notes 12, 17, 25 and 27)	**545,074,746**	489,266,042
Investments in associates and joint ventures (Note 13)	**32,431,195**	30,578,320
Property and equipment (Notes 11 and 25)	**1,554,990**	1,399,840
Deferred tax assets - net (Note 24)	**1,492,359**	931,366
Derivative assets - net of current portion (Notes 26 and 27)	**3,276,971**	6,752,744
Other noncurrent assets (Notes 7, 14, 19, 23, 26 and 27)	**122,471,474**	106,200,906
Total Noncurrent Assets	**725,871,947**	652,206,416
	₱943,327,575	₱874,214,652
LIABILITIES AND EQUITY		
Current Liabilities		
Loans payable (Notes 15, 26 and 27)	**₱4,288,964**	₱5,422,524
Accounts payable and other current liabilities (Notes 16, 19, 26 and 27)	**99,077,428**	88,122,597
Current portion of long-term debt (Notes 17, 19, 26 and 27)	**67,746,351**	50,839,776
Derivative liabilities (Notes 26 and 27)	**7,423**	19,496
Income tax payable	**1,295,842**	765,909
Total Current Liabilities	**172,416,008**	145,170,302
Noncurrent Liabilities		
Long-term debt - net of current portion (Notes 17, 19, 26 and 27)	**294,622,256**	296,134,836
Tenants' and customers' deposits - net of current portion (Notes 16, 25, 26 and 27)	**25,301,504**	23,799,162
Liability for purchased land - net of current portion (Notes 16, 26 and 27)	**539,959**	1,129,719
Deferred tax liabilities - net (Note 24)	**12,458,096**	11,140,040
Derivative liabilities - net of current portion (Notes 26 and 27)	**265,013**	294,403
Other noncurrent liabilities (Notes 16, 23, 26 and 27)	**38,837,703**	31,394,584
Total Noncurrent Liabilities	**372,024,531**	363,892,744
Total Liabilities	**544,440,539**	509,063,046

	December 31	
	2023	2022
Equity Attributable to Equity Holders of the Parent		
Capital stock (Notes 18 and 28)	**₱33,166,300**	₱33,166,300
Additional paid-in capital - net (Notes 5 and 18)	**38,159,900**	38,124,193
Cumulative translation adjustment	**2,556,139**	3,435,171
Net fair value changes of equity instruments at FVOCI (Note 9)	**16,938,503**	14,232,514
Net fair value changes on cash flow hedges (Note 27)	**1,079,094**	2,984,605
Remeasurement loss on defined benefit obligation (Note 23)	**(1,062,437)**	(928,882)
Retained earnings (Note 18):		
Appropriated	**42,200,000**	42,200,000
Unappropriated	**266,143,815**	232,972,284
Treasury stock (Notes 18 and 28)	**(2,984,695)**	(2,984,695)
Total Equity Attributable to Equity Holders of the Parent	**396,196,619**	363,201,490
Non-controlling Interests	**2,690,417**	1,950,116
Total Equity	**398,887,036**	365,151,606
	₱943,327,575	₱874,214,652

See accompanying Notes to Consolidated Financial Statements.

SM PRIME HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(Amounts in Thousands, Except Per Share Data)

	Years Ended December 31		
	2023	2022	2021
REVENUE			
Rent (Notes 12, 19 and 25)	**₱72,113,957**	₱58,243,913	₱34,694,185
Real estate sales	**42,040,409**	39,046,514	45,116,120
Others (Notes 19 and 20)	**13,943,175**	8,495,208	2,505,179
	128,097,541	105,785,635	82,315,484
COSTS AND EXPENSES (Notes 19, 21 and 23)	**66,818,300**	56,542,322	49,900,933
INCOME FROM OPERATIONS	**61,279,241**	49,243,313	32,414,551
OTHER INCOME (CHARGES)			
Interest expense (Notes 7, 15, 17, 19, 22, 26 and 27)	**(13,963,271)**	(11,465,787)	(9,357,616)
Interest and dividend income (Notes 6, 7, 9, 14, 19 and 22)	**2,185,156**	1,775,740	1,025,066
Others - net (Notes 12, 13, 16, 17 and 27)	**338,693**	(839,262)	3,651,524
	(11,439,422)	(10,529,309)	(4,681,026)
INCOME BEFORE INCOME TAX	**49,839,819**	38,714,004	27,733,525
PROVISION FOR INCOME TAX (Note 24)			
Current	**8,211,259**	6,783,913	2,816,720
Deferred	**764,715**	1,186,962	3,005,402
	8,975,974	7,970,875	5,822,122
NET INCOME	**₱40,863,845**	₱30,743,129	₱21,911,403
Attributable to:			
Equity holders of the Parent (Notes 18 and 28)	**₱40,010,501**	₱30,099,799	₱21,786,516
Non-controlling interests (Note 18)	**853,344**	643,330	124,887
	₱40,863,845	₱30,743,129	₱21,911,403
Basic/Diluted earnings per share (Note 28)	**₱1.387**	₱1.043	₱0.755
Dividend per share (Note 18)	**₱0.237**	₱0.097	₱0.082

See accompanying Notes to Consolidated Financial Statements.

SM PRIME HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands)

	Years Ended December 31		
	2023	2022	2021
NET INCOME	**₱40,863,845**	₱30,743,129	₱21,911,403
OTHER COMPREHENSIVE INCOME (LOSS)			
Items that will not be reclassified to profit or loss in subsequent periods:			
Unrealized gain (loss) due to changes in fair value of financial assets at fair value through other comprehensive income (Note 9)	**2,705,989**	(475,854)	1,247,699
Remeasurement gain (loss) on defined benefit obligation (Note 23)	**(134,611)**	(383,448)	38,020
	2,571,378	(859,302)	1,285,719
Items that may be reclassified to profit or loss in subsequent periods:			
Cumulative translation adjustment	**(879,032)**	351,987	1,558,745
Net fair value changes on cash flow hedges (Note 27)	**(1,905,511)**	3,417,488	1,336,147
	(213,165)	2,910,173	4,180,611
TOTAL COMPREHENSIVE INCOME	**₱40,650,680**	₱33,653,302	₱26,092,014
Attributable to:			
Equity holders of the Parent (Note 18)	**₱39,798,392**	₱33,013,181	₱25,968,260
Non-controlling interests	**852,288**	640,121	123,754
	₱40,650,680	₱33,653,302	₱26,092,014

See accompanying Notes to Consolidated Financial Statements.

SM PRIME HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021

(Amounts in Thousands)

	Equity Attributable to Equity Holders of the Parent											
	Capital Stock (Notes 18 and 28)	Additional Paid-in Capital - Net (Notes 5 and 18)	Cumulative Translation Adjustment	Net fair value changes of equity instruments at fair value through other comprehensive income (FVOCI) (Note 9)	Net Fair Value Changes on Cash Flow Hedges (Note 27)	Remeasurement Loss on Defined Benefit Obligation (Note 23)	Retained Earnings (Note 18) Appropriated	Retained Earnings (Note 18) Unappropriated	Treasury Stock (Notes 18 and 28)	Total	Non-controlling Interests (Note 18)	Total Equity
At January 1, 2023	₱33,166,300	₱38,124,193	₱3,435,171	₱14,232,514	₱2,984,605	(₱928,882)	₱42,200,000	₱232,972,284	(₱2,984,695)	₱363,201,490	₱1,950,116	₱365,151,606
Net income for the year	–	–	–	–	–	–	–	40,010,501	–	40,010,501	853,344	40,863,845
Other comprehensive income (loss)	–	–	(879,032)	2,705,989	(1,905,511)	(133,555)	–	–	–	(212,109)	(1,056)	(213,165)
Total comprehensive income (loss) for the year	–	–	(879,032)	2,705,989	(1,905,511)	(133,555)	–	40,010,501	–	39,798,392	852,288	40,650,680
Cash dividends (Note 18)	–	–	–	–	–	–	–	(6,844,378)	–	(6,844,378)	–	(6,844,378)
Cash dividends received by a subsidiary (Note 18)	–	–	–	–	–	–	–	5,408	–	5,408	–	5,408
Cash dividends received by non-controlling interests	–	–	–	–	–	–	–	–	–	–	(324,450)	(324,450)
Additional investment of non-controlling interest (Note 2)	–	–	–	–	–	–	–	–	–	–	201,000	201,000
Sale of non-controlling interest (Note 2)	–	35,707	–	–	–	–	–	–	–	35,707	11,463	47,170
At December 31, 2023	₱33,166,300	₱38,159,900	₱2,556,139	₱16,938,503	₱1,079,094	(₱1,062,437)	₱42,200,000	₱266,143,815	(₱2,984,695)	₱396,196,619	₱2,690,417	₱398,887,036
At January 1, 2022, as previously presented	₱33,166,300	₱38,056,016	₱3,083,184	₱14,708,368	(₱432,883)	(₱548,643)	₱42,200,000	₱205,671,557	(₱2,984,695)	₱332,919,204	₱1,441,569	₱334,360,773
Effect of common control business combination (Note 5)	–	44,330	–	–	–	–	–	–	–	44,330	3,277	47,607
At January 1, 2022, as adjusted	33,166,300	38,100,346	3,083,184	14,708,368	(432,883)	(548,643)	42,200,000	205,671,557	(2,984,695)	332,963,534	1,444,846	334,408,380
Net income for the year	–	–	–	–	–	–	–	30,099,799	–	30,099,799	643,330	30,743,129
Other comprehensive income (loss)	–	–	351,987	(475,854)	3,417,488	(380,239)	–	–	–	2,913,382	(3,209)	2,910,173
Total comprehensive income (loss) for the year	–	–	351,987	(475,854)	3,417,488	(380,239)	–	30,099,799	–	33,013,181	640,121	33,653,302
Cash dividends (Note 18)	–	–	–	–	–	–	–	(2,801,286)	–	(2,801,286)	–	(2,801,286)
Cash dividends received by a subsidiary (Note 18)	–	–	–	–	–	–	–	2,214	–	2,214	–	2,214
Cash dividends received by non-controlling interests	–	–	–	–	–	–	–	–	–	–	(144,050)	(144,050)
Sale of non-controlling interest (Note 2)	–	23,847	–	–	–	–	–	–	–	23,847	9,199	33,046
At December 31, 2022	₱33,166,300	₱38,124,193	₱3,435,171	₱14,232,514	₱2,984,605	(₱928,882)	₱42,200,000	₱232,972,284	(₱2,984,695)	₱363,201,490	₱1,950,116	₱365,151,606

	Equity Attributable to Equity Holders of the Parent											
							Retained Earnings (Note 18)					
	Capital Stock (Notes 18 and 28)	Additional Paid-in Capital - Net (Notes 5 and 18)	Cumulative Translation Adjustment	Net fair value changes of equity instruments at FVOCI (Note 9)	Net Fair Value Changes on Cash Flow Hedges (Note 27)	Remeasurement Gain (Loss) on Defined Benefit Obligation (Note 23)	Appropriated	Unappropriated	Treasury Stock (Notes 18 and 28)	Total	Non-controlling Interests (Note 18)	Total Equity
At January 1, 2021	₱33,166,300	₱38,022,913	₱1,524,439	₱13,460,669	(₱1,769,030)	(₱587,796)	₱42,200,000	₱186,251,267	(₱2,984,695)	₱309,284,067	₱1,433,561	₱310,717,628
Net income for the year	–	–	–	–	–	–	–	21,786,516	–	21,786,516	124,887	21,911,403
Other comprehensive income (loss)	–	–	1,558,745	1,247,699	1,336,147	39,153	–	–	–	4,181,744	(1,133)	4,180,611
Total comprehensive income for the year	–	–	1,558,745	1,247,699	1,336,147	39,153	–	21,786,516	–	25,968,260	123,754	26,092,014
Cash dividends (Note 18)	–	–	–	–	–	–	–	(2,368,097)	–	(2,368,097)	–	(2,368,097)
Cash dividends received by a subsidiary	–	–	–	–	–	–	–	1,871	–	1,871	–	1,871
Cash dividends received by non-controlling interests	–	–	–	–	–	–	–	–	–	–	(129,050)	(129,050)
Sale of non-controlling interest (Note 2)	–	33,103	–	–	–	–	–	–	–	33,103	13,304	46,407
At December 31, 2021	₱33,166,300	₱38,056,016	₱3,083,184	₱14,708,368	(₱432,883)	(₱548,643)	₱42,200,000	₱205,671,557	(₱2,984,695)	₱332,919,204	₱1,441,569	₱334,360,773

See accompanying Notes to Consolidated Financial Statements.

SM PRIME HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

	Years Ended December 31		
	2023	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱49,839,819**	₱38,714,004	₱27,733,525
Adjustments for:			
Depreciation and amortization (Notes 11, 12, 21 and 25)	**13,656,773**	12,487,763	10,816,869
Interest expense (Notes 7, 15, 17, 19 and 22)	**13,963,271**	11,465,787	9,357,616
Interest and dividend income (Notes 6, 7, 9, 14, 19 and 22)	**(2,185,156)**	(1,775,740)	(1,025,066)
Equity in net earnings of associates and joint ventures (Note 13)	**(2,162,611)**	(1,720,116)	(1,187,419)
Loss (gain) on:			
Disposal of property and equipment and investment properties (Notes 11 and 12)	**148,140**	105,701	(551,974)
Unrealized foreign exchange and fair value changes on derivatives - net	**76,370**	826,854	(623,782)
Operating income before working capital changes	**73,336,606**	60,104,253	44,519,769
Increase in:			
Receivables and contract assets	**(16,337,056)**	(8,760,236)	(16,304,309)
Real estate inventories	**(5,437,721)**	(12,462,748)	(4,696,521)
Prepaid expenses and other current assets	**(2,068,144)**	(762,618)	(1,639,817)
Increase (decrease) in:			
Accounts payable and other liabilities	**18,539,236**	1,070,155	12,048,707
Tenants' and customers' deposits	**1,573,478**	2,328,183	(28,558)
Cash generated from operations	**69,606,399**	41,516,989	33,899,271
Income tax paid	**(7,665,012)**	(6,583,777)	(3,232,110)
Net cash provided by operating activities	**61,941,387**	34,933,212	30,667,161
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	**1,922,233**	1,197,311	648,143
Dividends received	**724,446**	596,672	292,898
Proceeds from disposal of property and equipment and investment properties (Notes 11 and 12)	**90,067**	85,767	453,298
Additions to:			
Investment properties (Note 12)	**(63,772,055)**	(38,766,369)	(39,294,964)
Property and equipment (Note 11)	**(341,106)**	(198,012)	(168,077)
Increase in other noncurrent assets	**(5,338,058)**	(15,159,670)	(6,044,976)
Net cash used in investing activities	**(66,714,473)**	(52,244,301)	(44,113,678)

(Forward)

	Years Ended December 31		
	2023	2022	2021
CASH FLOWS FROM FINANCING ACTIVITIES			
Availments of bank loans and long-term debt (Notes 15 and 17)	**₱111,562,913**	₱94,325,945	₱86,849,381
Payments of:			
Long-term debt (Note 17)	**(66,701,374)**	(43,863,022)	(35,336,466)
Bank loans (Note 15)	**(29,563,823)**	(19,994,859)	(15,959,528)
Interest	**(13,782,271)**	(11,029,498)	(9,837,833)
Dividends (Note 18)	**(7,163,420)**	(2,943,122)	(2,675,277)
Lease liabilities (Notes 16 and 25)	**(160,058)**	(84,292)	(47,933)
Proceeds from (payments of) matured derivatives - net	**294,800**	3,274,591	(368,799)
Net cash provided by (used in) financing activities	**(5,513,233)**	19,685,743	22,623,545
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**43,039**	(90,424)	(62,790)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(10,243,280)**	2,284,230	9,114,238
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**42,060,082**	39,775,852	30,661,614
CASH AND CASH EQUIVALENTS AT END OF YEAR	**₱31,816,802**	₱42,060,082	₱39,775,852

See accompanying Notes to Consolidated Financial Statements.

SM PRIME HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. **Corporate Information**

SM Prime Holdings, Inc. (SMPH or the Parent Company) was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on January 6, 1994. SMPH and its subsidiaries (collectively known as the "Company") are incorporated to acquire by purchase, exchange, assignment, gift or otherwise, and to own, use, improve, subdivide, operate, enjoy, sell, assign, transfer, exchange, lease, let, develop, mortgage, pledge, traffic, deal in and hold for investment or otherwise, including but not limited to real estate and the right to receive, collect and dispose of, any and all rentals, dividends, interest and income derived therefrom; the right to vote on any proprietary or other interest on any shares of stock, and upon any bonds, debentures, or other securities; and the right to develop, conduct, operate and maintain modernized commercial shopping centers and all the businesses appurtenant thereto, such as but not limited to the conduct, operation and maintenance of shopping center spaces for rent, amusement centers, movie or cinema theatres within the compound or premises of the shopping centers, to construct, erect, manage and administer buildings such as condominium, apartments, hotels, restaurants, stores or other structures for mixed use purposes.

SMPH's shares of stock are publicly traded in the Philippine Stock Exchange (PSE).

The Company's ultimate parent company is SM Investments Corporation (SMIC). SMIC is a Philippine corporation whose common shares is listed with the PSE in 2005. SMIC and all its subsidiaries are herein referred to as the "SM Group".

The registered office and principal place of business of the Parent Company is at 7/F MOA Square, Seashell Lane cor. Coral Way, Mall of Asia Complex, Brgy. 76 Zone 10, CBP 1-A, Pasay City, Metro Manila, Philippines.

The accompanying consolidated financial statements were approved and authorized for issue in accordance with a resolution by the Board of Directors (BOD) on February 19, 2024.

2. **Basis of Preparation**

The accompanying consolidated financial statements of the Company have been prepared on a historical cost basis, except for financial assets at fair value through other comprehensive income (FVOCI) and derivative financial instruments which have been 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). All values are rounded to the nearest thousand peso, except when otherwise indicated.

The accompanying consolidated financial statements have been prepared under the going concern assumption.

Statement of Compliance
The accompanying consolidated financial statements have been prepared in compliance with PFRS.

Basis of Consolidation
The consolidated financial statements include the accounts of the Parent Company and the following subsidiaries:

Company	Country of Incorporation	Percentage of Ownership	
		2023	2022
Mall			
A. Canicosa Holdings, Inc.	Philippines	**100.0**	100.0
AD Canicosa Properties, Inc.	- do -	**100.0**	100.0
Associated Development Corporation	- do -	**100.0**	100.0
Britannia Trading Corp. and Subsidiaries (BTC)	- do -	**100.0**	100.0
CHAS Realty and Development Corporation and Subsidiaries	- do -	**100.0**	100.0
Cherry Realty Development Corporation	- do -	**100.0**	100.0
Consolidated Prime Dev. Corp.	- do -	**100.0**	100.0
Magenta Legacy, Inc.	- do -	**100.0**	100.0
Premier Central, Inc. and Subsidiary	- do -	**100.0**	100.0
Premier Southern Corp.	- do -	**100.0**	100.0
Prime Metroestate, Inc. and Subsidiary	- do -	**100.0**	100.0
Prime_Commercial Property Management Corp. and Subsidiaries	- do -	**100.0**	100.0
Rushmore Holdings, Inc.	- do -	**100.0**	100.0
San Lazaro Holdings Corporation	- do -	**100.0**	100.0
Simply Prestige Limited and Subsidiaries	- do -	**100.0**	100.0
SM Arena Complex Corporation	- do -	**100.0**	100.0
SM Land (China) Limited and Subsidiaries	Hong Kong	**100.0**	100.0
Southernpoint Properties Corp.	Philippines	**100.0**	100.0
Springfield Global Enterprises Limited	- do -	**100.0**	100.0
Supermalls Transport Services, Inc.	- do -	**100.0**	100.0
First Asia Realty Development Corporation	- do -	**74.2**	74.2
Mindpro, Incorporated*	- do -	**70.0**	70.0
First Leisure Ventures Group Inc. (FLVGI)	- do -	**50.0**	50.0
Residential			
SM Development Corporation and Subsidiaries (SMDC)	- do -	**100.0**	100.0
Costa del Hamilo, Inc. and Subsidiary	- do -	**100.0**	100.0
Highlands Prime Inc. and Subsidiary	- do -	**100.0**	100.0
Commercial			
MOA Esplanade Port, Inc.	- do -	**100.0**	100.0
Premier Clark Complex, Inc.	- do -	**100.0**	100.0
SM Smart City Infrastructure and Development Corporation	- do -	**100.0**	100.0
Tagaytay Resort Development Corporation	- do -	**100.0**	100.0
Hotels and Convention Centers			
SM Hotels and Conventions Corp. and Subsidiaries	- do -	**100.0**	100.0

**In 2023, the Parent Company and non-controlling interest infused additional investments without change in their ownership interest.*

FLVGI is accounted for as a subsidiary by virtue of control, as evidenced by the majority members of the BOD representing the Parent Company.

Non-controlling interests represent the portion of profit or loss and net assets not held by the Company and are presented separately in the consolidated statements of income and within equity section in the consolidated balance sheets, separately from equity attributable to equity holders of the parent.

Material Accounting Judgments, Estimates and Assumptions
The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. Uncertainty about these estimates and assumptions could result in outcomes that require an adjustment to the carrying amount of the affected asset or liability in the future period.

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

Existence of a Contract. The Company'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, would contain all the criteria to qualify as contract with the customer under PFRS 15.

In addition, part of the assessment process of the Company before revenue recognition is to assess the probability that the Company will collect the consideration to which it will be entitled in exchange for the real estate property that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, an entity considers the significance of the buyer's initial payments in relation to the total contract price.

Revenue Recognition Method and Measure of Progress. The Company concluded that revenue from sale of real estate is to be recognized over time because (a) the Company's performance does not create an asset with an alternative use and; (b) the Company has an enforceable right for performance completed to date. The promised property is specifically identified in the contract and the contractual restriction on the Company's ability to direct the promised property for another use is substantive. This is because 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 relation to that contract. In addition, under the current legal framework, the customer is contractually obliged to make payments to the developer up to the performance completed to date. The cost to obtain a contract (e.g., commission) is determined using the percentage of completion.

The Company has determined that output method used in measuring the progress of the performance obligation faithfully depicts the Company's performance in transferring control of real estate development, which include customized uninstalled materials, to the customers. The Company determined that in the case of customized materials, the Company 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 Transaction Price of Sale of Real Estate. The Company determines whether a contract contains a significant financing component using portfolio approach by considering (1) the difference, if any, between the amount of promised considerations and the cash selling price of the promised goods or services; and (2) the effect of the expected length of time between when the entity transfers the promised goods or service to the customer and when the customer pays for those goods or services and the prevailing effective interest rate (EIR). The Company applied practical expedient by not adjusting the effect of financing component when the period when the entity transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less. The Company determined that its transaction price on sale of real estate recognized over time do not include a significant financing component.

Operating Lease Commitments - as Lessor. The Company has entered into commercial property leases in its investment property portfolio. Management has determined, based on an evaluation of the terms and conditions of the arrangements, that it 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.

Lease Modification - as Lessor. Throughout the government-imposed community quarantine, the Company waived rentals and other charges amounting to nil, ₱6,247 million and ₱20,781 million for the years ended December 31, 2023, 2022 and 2021, respectively. Such waivers are not accounted as a lease modification under PFRS 16 since COVID-19 is a force majeure under the general law.

Determining the Lease Term of Contract. The Company applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate its lease contracts with extension and/or termination options. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. The Company typically exercises its option to renew its leases of various parcels of land since its lease term periods are generally covered by an automatic renewal option. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

Determining Taxable Profit, Tax Bases, Unused Tax Losses, Unused Tax Credits and Tax Rates. The Company applies significant judgment in identifying uncertainties over its income tax treatments. The Company determined based on its assessment, in consultation with its tax counsel, that it is probable that its income tax treatments, including for its subsidiaries, will be accepted by the taxation authorities.

Estimates and Assumptions

The key estimates and assumptions that may have significant risks of causing material adjustments to the carrying amounts of revenues, expenses, assets and liabilities within the next financial period are discussed below.

Measure of Progress. The Company's revenue recognition policy requires management to make use of estimates and assumptions that may affect the reported amounts of revenues and costs. The Company's revenue from real estate sales recognized based on the percentage of completion are measured principally on the basis of physical completion of the real estate projects.

Revenue from sale of real estate amounted to ₱42,040 million, ₱39,047 million and ₱45,116 million for the years ended December 31, 2023, 2022, and 2021, respectively, while the cost of real estate sold amounted to ₱16,661 million, ₱16,899 million and ₱18,687 million for the years ended December 31, 2023, 2022 and 2021, respectively (see Note 21).

Provision for Expected Credit Losses (ECL) of Receivables and Contract Assets (or referred also in the consolidated financial statements as "Unbilled revenue from sale of real estate"). The Company maintains an allowance for ECL at a level considered adequate to provide for potential uncollectible receivables. The Company uses a provision matrix for rent and other receivables and vintage approach for receivable from sale of real estate (billed and unbilled) to calculate ECLs. The Company performs a regular review of the age and status of these accounts, designed to identify accounts for impairment. The assessment of the correlation between historical observed default rates, forecasted economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions.

The allowance for ECLs amounted to ₱777 million and ₱721 million as at December 31, 2023 and 2022, respectively (see Note 7).

Net Realizable Value of Real Estate Inventories. The net realizable value of real estate inventories is assessed with reference to market price at the balance sheet date for similar completed property, less estimate cost to complete the construction and estimated cost to sell. The Company reviews the carrying value regularly for any decline in value due to changes in market price or other causes.

The carrying values of real estate inventories amounted to ₱77,887 million and ₱70,500 million as at December 31, 2023 and 2022, respectively (see Note 8).

Estimated Useful Lives of Property and Equipment and Investment Properties (except for Right-of-use Asset (ROUA)). The useful life of each of the Company's property and equipment and investment properties, excluding ROUA, is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of industry practice, internal technical evaluation and experience with similar assets. The estimated useful life of each asset is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limitations on the use of the asset. It is possible, however, that future financial performance could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above. A reduction in the estimated useful life of any property and equipment and investment properties, excluding ROUA, would increase the recorded costs and expenses and decrease noncurrent assets.

The aggregate carrying values of property and equipment and investment properties, excluding ROUA, amounted to ₱516,479 million and ₱465,030 million as at December 31, 2023 and 2022, respectively (see Notes 11 and 12).

Realizability of Deferred Tax Assets. The Company's assessment on the recognition of deferred tax assets on 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) is based on the projected taxable income in future periods.

Deferred tax assets recognized in the consolidated balance sheets amounted to ₱5,329 million and ₱3,864 million as at December 31, 2023 and 2022, respectively (see Note 24). Unrecognized deferred tax assets pertain to NOLCO, amounted to ₱205 million and ₱133 million as at December 31, 2023 and 2022, respectively.

Fair Value of Assets and Liabilities. The Company carries and discloses certain assets and liabilities at fair value, which requires extensive use of accounting judgments and estimates. 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 Company utilized different valuation methodologies and assumptions. Any changes in the fair value of these assets and liabilities that are carried in the consolidated financial statements would directly affect consolidated statements of income and consolidated other comprehensive income.

The fair value of assets and liabilities are discussed in Note 27.

Contingencies. The Company is currently involved in various legal and administrative proceedings. The estimate of the probable costs for the resolution of these proceedings has been developed in consultation with in-house as well as outside legal counsel handling defense in these matters and is based upon an analysis of potential results. The Company currently does not believe that these proceedings will have a material adverse effect on its consolidated financial position and performance and no provisions were made in relation to these proceedings. It is possible, however, that future consolidated financial performance could be affected by changes in the estimates or in the effectiveness of strategies relating to these proceedings.

Estimating Incremental Borrowing Rate (IBR) for Leases. The Company uses its IBR to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain the asset of similar value in a similar economic environment. The Company estimates the IBR using the available market interest rates adjusted with the Company's credit rating.

3. Summary of Material Accounting Policy Information

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except that the Company has adopted the following new accounting pronouncements starting January 1, 2023. Adoption of these pronouncements did not have any material impact on the Company's financial position or performance unless otherwise indicated.

- Amendments to Philippine Accounting Standards (PAS) 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction,* narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

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

- Amendments to PAS 12, *International Tax Reform – Pillar Two Model Rules*

  The amendments introduce a mandatory exception in PAS 12 from recognizing and disclosing deferred tax assets and liabilities related to Pillar Two income taxes.

  The amendments also clarify that PAS 12 applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two Model Rules published by the Organization for Economic Cooperation and Development, including tax law that implements qualified domestic minimum top-up taxes. Such tax legislation, and the income taxes arising from it, are referred to as 'Pillar Two legislation' and 'Pillar Two income taxes', respectively.

  The temporary exception from recognition and disclosure of information about deferred taxes and the requirement to disclose the application of the exception, apply immediately and retrospectively upon adoption of the amendments in June 2023. The Company is yet to apply the temporary exception because the Company's entities are operating in jurisdictions which Pillar Two legislation has not yet been enacted or substantially enacted.

- Amendments to PAS 8, *Definition of Accounting Estimates,* introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies,* provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

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

  The amendments to the Practice Statement provide non-mandatory guidance. The amendments have had an impact on the Company's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Company's financial statements

<u>Future Changes in Accounting Policies and Disclosures</u>
Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Company does not expect that the future adoption of the said pronouncements will have a significant impact on its consolidated financial statements. The Company intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2024

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current,* clarify:
  - That only covenants with which an entity must comply on or before reporting date will affect a liability's classification as current or non-current.
  - That classification is unaffected by the likelihood that an entity will exercise its deferral right
  - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

  The amendments must be applied retrospectively.

- Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback,* specify how a seller-lessee measures the lease liability arising in a sale and leaseback transaction in a way that it does not recognize any amount of the gain or loss that relates to the right of use retained.

  The amendments must be applied retrospectively. Earlier adoption is permitted and that fact must be disclosed.

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

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*

- Amendments to PAS 21*, Lack of exchangeability*

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

<u>Determination of Fair Value</u>
A fair value measurement of a nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company 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 or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; 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 Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period and recognizes transfers as at the date of the event or change in circumstances that caused the transfer.

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

Financial Instruments - Initial Recognition and Subsequent Measurement

Financial Assets

Initial recognition and measurement. Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through profit or loss (FVTPL), and FVOCI.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. The Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs.

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 an instrument level.

The Company'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.

As at December 31, 2023 and 2022, the Company has no debt instruments classified as financial assets at FVOCI.

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

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

  - The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and

  - The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

  Financial assets at amortized cost are subsequently measured using the 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 Company's financial assets at amortized cost includes cash and cash equivalents, receivables and escrow and time deposits (included under "Other noncurrent assets" account). Other than those financial assets at amortized cost whose carrying values are reasonable approximation of fair values, the aggregate carrying values of financial assets under this category amounted to ₱3,656 million and ₱5,105 million as at December 31, 2023 and 2022, respectively (see Note 27).

- *Financial assets at FVTPL.* Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not SPPI are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or FVOCI, as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

  Financial assets at FVTPL are carried in the consolidated balance sheet at fair value with net changes in fair value recognized in the consolidated statement of income.

  This category includes derivative instruments. The carrying values of financial assets classified under this category amounted to ₱5,524 million and ₱7,338 million as at December 31, 2023 and 2022, respectively (see Note 27).

  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 if: 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 FVTPL. Embedded derivatives are measured at fair value with changes in FVTPL. 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 FVTPL 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 FVTPL.

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

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

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

  Classified under this category are the investments in shares of stocks of certain companies. The carrying values of financial assets classified under this category amounted to ₱20,318 million and ₱17,612 million as at December 31, 2023 and 2022, respectively (see Note 27).

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

- The rights to receive cash flows from the asset have expired, or,
- The Company 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 Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

The Company evaluates if, and to what extent, it has retained the risks and rewards of ownership. The Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Company also recognized an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company 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 Company could be required to repay.

Impairment of financial assets. The Company recognizes an allowance for ECLs for all debt instruments not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original EIR. 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. The Company uses a provision matrix for rent and other receivables, vintage approach for receivables from sale of real estate (billed and unbilled) and general approach for treasury assets to calculate ECLs.

The Company applies provision matrix and has calculated ECLs based on lifetime ECLs. The Company recognizes a loss allowance based on lifetime ECLs at each reporting date, adjusted for forward-looking factors specific to the debtors and the economic environment.

Vintage approach accounts for expected credit losses by calculating the cumulative loss rates of a given real estate receivable pool. It derives the probability of default from the historical data of a homogenous portfolio that share the same origination period. The information on the number of defaults during fixed time intervals of the accounts is utilized to create the probability model. It allows the evaluation of the loan activity from its origination period until the end of the contract period. In addition to life of loan loss data, primary drivers like macroeconomic indicators of qualitative factors such as, but not limited to, forward-looking data on inflation rate was added to the expected loss calculation to reach a forecast supported by both quantitative and qualitative data points. The probability of default is applied to the estimate of the loss arising on default which is based on the difference between the contractual cash flows due and those that the Company would expect to receive, including from the repossession of the subject real estate property, net of cash outflows. For purposes of calculating loss given default, accounts are segmented based on the type of unit. In calculating the recovery rates, the Company considered collections of cash and/or cash from resale of real estate properties after foreclosure, net of direct costs of obtaining and selling the real estate properties after the default event such as commission, refurbishment, payment required under Maceda law, cost to complete (for incomplete units). As these are future cash flows, these are discounted back to the time of default using the appropriate EIR, usually being the original EIR or an approximation thereof.

The Company considers a financial asset in default generally when contractual payments are 120 days past due or when the sales are cancelled supported by a notarized cancellation letter executed by the Company and unit buyer. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial Liabilities

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

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

Subsequent measurement. The Company classifies its financial liabilities in the following categories:

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

  Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. Derivatives, including any separated derivatives, are also classified under liabilities at FVTPL, unless these are designated as hedging instruments in an effective hedge or financial guarantee contracts. Gains or losses on liabilities held for trading are recognized in the consolidated statement of income under "Others - net" account. Classified as financial liabilities at FVTPL are the Company's derivative liabilities amounting to ₱272 million and ₱314 million as at December 31, 2023 and 2022, respectively (see Note 27).

- *Loans and borrowings.* This category pertains to financial liabilities that are not held for trading or not designated as at FVTPL upon the inception of the liability. These include liabilities arising from operations or borrowings. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in the consolidated statement of income when the loans and borrowings are derecognized, as well as through the amortization process. Loans and borrowings are included under current liabilities if settlement is within twelve months from reporting period. Otherwise, these are classified as noncurrent liabilities.

  Classified under this category are loans payable, accounts payable and other current liabilities, long-term debt, tenants' deposits, liability for purchased land and other noncurrent liabilities (except for taxes payables and other payables covered by other accounting standards). Other than those other financial liabilities whose carrying values are reasonable approximation of fair values, the aggregate carrying values of financial liabilities under this category amounted to ₱330,771 million and ₱327,175 million as at December 31, 2023 and 2022, respectively (see Note 27).

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

Debt Issue Costs
Debt issue costs are presented as reduction in long-term debt and are amortized over the terms of the related borrowings using the effective interest method.

Derivative Financial Instruments

Initial recognition and subsequent measurement. The Company uses derivative financial instruments, such as foreign exchange swap, cross currency swaps, interest rate swaps, principal only swaps and non-deliverable forwards contracts to hedge its foreign currency risks and interest rate risks. Such derivative financial instruments are initially recognized at fair value on the date on which a 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.

The Company's derivative financial instruments are accounted for as either cash flow hedges or transactions not designated as hedges (see Note 27). These hedge the exposures to variability in cash flows that is either 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.

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Company will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge effectiveness and how the hedge ratio is determined). 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 Company actually hedges and the quantity of the hedging instrument that the Company actually uses to hedge that quantity of 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 in the net fair value changes on cash flow hedges, while any ineffective portion is recognized immediately in the consolidated statement of income. The net fair value changes on cash flow hedges is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The Company designates only the elements of the foreign exchange swap, cross currency swaps, interest rate swaps, principal only swaps and non-deliverable forwards contracts as hedging instruments to achieve its risk management objective. These elements, including changes in fair value, are recognized in OCI and accumulated in a separate component of equity under net fair value changes on cash flow hedges.

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 the hedged cash flows affect profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in OCI must remain in accumulated OCI if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated OCI must be accounted for depending on the nature of the underlying transaction as described above.

Other Derivative Instruments Not Accounted for as Hedges. Certain freestanding derivative instruments that provide economic hedges under the Company's policies either do not qualify for hedge accounting or are not designated as accounting hedges. Changes in the fair values of derivative instruments not designated as hedges are recognized immediately under "Others - net" account in the consolidated statements of income (see Note 27). Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Real Estate Inventories
Real estate inventories are stated at the lower of cost and net realizable value. 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. Real estate inventories include properties being constructed for sale in the ordinary course of business, rather than to be held 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 costs, costs of site preparation, professional fees, property transfer taxes, construction overheads and other related costs.

Prepaid Expenses and Other Current Assets
Other current assets consist of advances to suppliers and contractors, advances for project development, input tax, creditable withholding taxes, deposits, prepayments, supplies and inventories and others. Advances to suppliers and contractors, advances for project development and deposits are carried at cost. These represent advance payments and deposits to contractors for the construction and development of the projects. These are recouped upon every progress billing payment depending on the percentage of accomplishment. Prepaid taxes and other prepayments are carried at cost less amortized portion. These include prepayments for taxes and licenses, rent, advertising and promotions and insurance.

Common Control Business Combinations
Business combinations involving entities or businesses under common control are business combinations in which all of the entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. Business combinations under common control are accounted for similar to pooling of interests method. Under the pooling of interests method:

- The assets, liabilities and equity of the acquired companies for the reporting period in which the common control business combinations occur and for the comparative periods presented, are included in the consolidated financial statements at their carrying amounts as if the consolidation had occurred from the beginning of the earliest period presented in the financial statements, regardless of the actual date of the acquisition;
- No adjustments are made to reflect the fair values, or recognize any new assets or liabilities at the date of the combination. The only adjustments would be to harmonize accounting policies between the combining entities;
- No 'new' goodwill is recognized as a result of the business combination;
- The excess of the cost of business combinations over the net carrying amounts of the identifiable assets and liabilities of the acquired companies is considered as equity adjustment from business combinations, included under "Additional paid-in capital - net" account in the equity section of the consolidated balance sheet; and
- The consolidated statement 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.

Property and Equipment
The Company's property and equipment consist of land, building, equipment and ROUA. Property and equipment, except land and construction in progress, is stated at cost less accumulated depreciation and amortization and any accumulated impairment in value. Such cost includes the cost of replacing part of the property and equipment at the time that cost is incurred, if the recognition criteria are met, and excludes the costs of day-to-day servicing. Land is stated at cost less any impairment in value.

The initial cost of property and equipment consists of its purchase price, including import duties, taxes and any directly attributable costs necessary in bringing the asset to its working condition and location for its intended use. Cost also includes any related asset retirement obligation and interest incurred during the construction period on funds borrowed to finance the construction of the projects.

Depreciation and amortization are calculated on a straight-line basis over the following estimated useful lives of the assets:

Buildings, land and leasehold improvements	5-25 years	or term of the lease, whichever is shorter
Furniture, fixtures and other equipment	5-10 years	
ROUA - Office spaces	10-25 years	or term of the lease, whichever is shorter

Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation and amortization is credited or charged to current operations.

An item of property and equipment is derecognized when either it has been disposed or when it is permanently withdrawn from use and no future economic benefits are expected from its use or disposal. Any gains or losses arising on the retirement and disposal of an item of property and equipment are recognized in the consolidated statements of income in the period of retirement or disposal under “Others - net” account.

Investment Properties

These consist of commercial spaces/properties held for rental and/or capital appreciation, ROUA and land held for future development. These accounts are measured initially at cost. The cost of a purchased investment property comprises of its purchase price and any directly attributable costs. Subsequently, these accounts, except land and construction in progress, are measured at cost, less accumulated depreciation and amortization and accumulated impairment in value, if any. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met, and excludes the costs of day-to-day servicing of an investment property. Land is stated at cost less any impairment in value.

Property under construction or development for future use as an investment property is classified as investment property.

Depreciation and amortization are calculated on a straight-line basis over the following estimated useful lives of the assets:

Land, building and leasehold improvements	5-40 years	or term of the lease, whichever is shorter
Building equipment, furniture and others	3-15 years	or term of the lease, whichever is shorter
ROUA - Land		Remaining lease term

Construction in progress represents structures under construction and is stated at cost. This includes cost of construction, machineries and equipment, and other direct costs. Cost also includes interest on borrowed funds incurred during the construction period. Construction in progress is not depreciated until such time that the relevant assets are completed and are ready for use.

Investment property is derecognized when either it has been disposed or when it is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the consolidated statement of income in the period of retirement or disposal under “Others - net” account.

Transfers are made from investment property to inventories when, and only when, there is a change in use, as evidenced by an approved plan to construct and develop condominium and residential units for sale. Transfers are made from inventories to investment property when, and only when, there is change in use, as evidenced by commencement of an operating lease to a third party or change in the originally approved plan. The cost of property for subsequent accounting is its carrying value at the date of change in use.

For a transfer from investment property to owner-occupied property, the cost of property for subsequent accounting is its carrying value at the date of change in use. If the property occupied by the Company as an owner-occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

Investments in Associates and Joint Ventures
The Company's investments in shares of stocks of associates and joint ventures are accounted for under the equity method of accounting. The consolidated statements of income reflect the share in the result of operations of the associate or joint venture under "Others-net" account. On acquisition of the investment, any difference between the cost of the investment and the investor's share in the net fair value of the associate's identifiable assets, liabilities and contingent liabilities is accounted for as follows:

- Goodwill relating to an associate or joint venture is included in the carrying amount of the investment. However, amortization of that goodwill is not permitted and is therefore not included in the determination of the Company's share in the associate's or joint venture's profits or losses.

- Any excess of the Company's share in the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the investor's share in the associate's or joint venture's profit or loss in the period in which the investment is acquired.

Also, appropriate adjustments to the Company's share of the associate's or joint venture's profit or loss after acquisition are made to account for the depreciation of the depreciable assets based on their fair values at the acquisition date and for impairment losses recognized by the associate or joint venture.

The Company discontinues the use of equity method from the date when it ceases to have significant influence or joint control over an associate or joint venture and accounts for the investment in accordance with PFRS 9, from that date, provided the associate or joint venture does not become a subsidiary. When the Company's interest in an investment in associate or joint venture is reduced to zero, additional losses are provided only to the extent that the Company has incurred obligations or made payments on behalf of the associate or joint venture to satisfy obligations of the investee that the Company has guaranteed or otherwise committed. If the associate or joint venture subsequently reports profits, the Company resumes recognizing its share of the profits if it equals the share of net losses not recognized.

Other Noncurrent Assets
Other noncurrent assets consist of bonds and deposits, receivables from sale of real estate - net of current portion, land use rights, escrow and time deposits, deferred input tax and others. Other noncurrent assets are carried at cost.

Impairment of Nonfinancial Assets
The carrying values of investments in associates and joint ventures, property and equipment, investment properties and other noncurrent assets (excluding escrow and time deposits) are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If any such indication exists, and if the carrying value exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amounts. The recoverable amount of the asset is the greater of fair value less costs to sell or value in use. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's-length transaction between knowledgeable, 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 cash-generating unit to which the asset belongs. Impairment losses are recognized in the consolidated statement 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. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement 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.

Customers' Deposits
Customers' deposits mainly represent reservation fees and advance payments. These deposits will be recognized as revenue in the consolidated statement of income as the related obligations to the real estate buyers are fulfilled.

Capital Stock and Additional Paid-in Capital
Capital stock is measured at par value for all shares issued. Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as deduction from proceeds, net of tax. Proceeds and/or fair value of considerations received in excess of par value, if any, are recognized as "Additional paid-in capital - net" account.

Retained Earnings
Retained earnings represent accumulated net profits, net of dividend distributions and other capital adjustments.

Treasury Stock
Own equity instruments which are acquired (treasury shares) are deducted from equity and accounted for at cost. No gain or loss is recognized in the consolidated statement of income on the purchase, sale, issuance or cancellation of own equity instruments.

Dividends
Dividends on common shares are recognized as liability and deducted from equity when declared and approved by the BOD. Dividends for the year that are approved after balance sheet date are dealt with as an event after the reporting period.

Revenue Recognition
Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company assesses its revenue arrangements against specific criteria to determine if it is acting as a principal or as an agent. The Company has concluded that it is acting as principal in majority of its revenue arrangements. The disclosures of material accounting judgments, estimates and assumptions relating to revenue from contracts with customers are provided in Note 2. The following specific recognition criteria, other than those disclosed in Note 2 to the consolidated financial statements, must also be met before revenue is recognized:

Rent. Revenue is recognized on a straight-line basis over the lease term or based on the terms of the lease as applicable.

Sale of Amusement Tickets and Merchandise. Revenue is recognized upon receipt of cash from the customer which coincides with the rendering of services or the delivery of merchandise. Revenue from sale of amusement tickets and merchandise are included in the “Revenue - Others” account in the consolidated statement of income.

Dividend. Revenue is recognized when the Company’s right as a shareholder to receive the payment is established. These are included in the “Interest and dividend income” account in the consolidated statement of income.

Management and Service Fees. Revenue is recognized when earned in accordance with the terms of the agreements.

Interest. Revenue is recognized as the interest accrues, taking into account the effective yield on the asset.

Room Rentals, Food and Beverage, and Others. Revenue from room rentals is recognized on actual occupancy, food and beverage sales when orders are served, and other operated departments when the services are rendered. Revenue from other operated departments include, among others, business center, laundry service, and telephone service. Revenue from food and beverage sales and other hotel revenue are included under the “Revenue - Others” account in the consolidated statement of income.

Revenue and Cost from Sale of Real Estate. The Company derives its real estate revenue from sale of lots, house and lot and condominium units. Revenue from the sale of these real estate projects under pre-completion stage are 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 Company’s performance does not create an asset with an alternative use and the Company has an enforceable right to payment for performance completed to date.

In measuring the progress of its performance obligation over time, the Company uses output method. The Company recognizes revenue on the basis of direct measurements of the value to customers of the goods or services transferred to date, relative to the remaining goods or services promised under the contract. Progress is measured using survey of performance completed to date/milestones reached/time elapsed. This is based on the monthly project accomplishment report prepared by the third-party project managers as approved by the construction managers which integrates the surveys of performance to date of the construction activities.

Any excess of progress of work over the right to an amount of consideration that is unconditional, recognized as receivables from sale of real estate, under trade receivables, is accounted for as unbilled revenue from sale of real estate.

Any excess of collections over the total of recognized installment real estate receivables is included in the contract liabilities (or referred also in the consolidated financial statements as “Unearned revenue from sale of real estate”).

Information about the Company’s performance obligation. The Company 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 and the consideration is payable in cash or under a financing scheme entered with the customer. The financing scheme would include payment of certain percentage of the contract price spread over a certain period (e.g. one to five years) at a fixed monthly payment with the remaining balance payable in full at the end of the period either through cash or external financing. The amount due for collection under the amortization schedule for each of the customer does not necessarily coincide with the progress of construction.

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

Cost of Real Estate Sold. The Company recognizes costs relating to satisfied performance obligations as these are incurred taking into consideration the contract fulfillment assets such as land and connection fees. These include costs of land, land development costs, building costs, professional fees, depreciation and permits and licenses. These costs are allocated to the saleable area, with the portion allocable to the sold area being recognized as costs of real estate sold while the portion allocable to the unsold area being recognized as part of real estate inventories. In addition, the Company recognizes as an asset only 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 Company'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. These pertain to unbilled revenue from sale of real estate. This is the right to consideration that is conditional in exchange for goods or services transferred to the customer. This is reclassified as trade receivable from sale of real estate when the monthly amortization of the customer is already due for collection.

Contract liabilities. These pertain to unearned revenue from sale of real estate. This is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. These also include customers' deposits related to sale of real estate. These are recognized as revenue when the Company performs its obligation under the contract.

Costs to obtain contract. The incremental costs of obtaining a contract with a customer are recognized as an asset if the Company expects to recover them. The Company has determined that commissions paid to brokers and marketing agents on the sale of pre-completed real estate units are deferred when recovery is reasonably expected and are 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 statement of income. Costs incurred prior to obtaining contract with customer are not capitalized but are expensed as 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 Company firstly considers any other 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 Company applies the following criteria which, if met, result in capitalization: (i) the costs directly relate to a contract or to a specifically identifiable anticipated contract; (ii) the 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) the costs are expected to be recovered. The assessment of this criteria requires the application of judgment, in particular when considering if costs generate or enhance resources to be used to satisfy future performance obligations and whether costs are expected to be recoverable.

The Company's contract fulfillment assets mainly pertain to land acquisition costs (included under real estate inventories).

Amortization, derecognition and impairment of contract fulfillment assets and capitalized costs to obtain a contract. The Company amortizes contract fulfillment assets and capitalized costs to obtain a contract to cost of sales over the expected construction period using POC following the pattern of real estate revenue recognition. The amortization is included within cost of real estate sold.

A contract fulfillment asset or capitalized costs to obtain a contract is derecognized either 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 Company determines whether there is an indication that contract fulfillment asset or cost to obtain a contract maybe impaired. If such indication exists, the Company makes an estimate by comparing the carrying amount of the assets to the remaining amount of consideration that the Company expects to receive less the costs that relate to providing services under the relevant contract. In determining the estimated amount of consideration, the Company uses the same principles as it does to determine the contract transaction price, except that any constraints used to reduce the transaction price will be removed for the impairment test.

Where the relevant costs are demonstrating indicators of impairment, judgment is required in ascertaining whether or not the future economic benefits from these contracts are sufficient to recover these assets.

<u>Pension Benefits</u>
The Company is a participant in the SM Corporate and Management Companies Multi-Employer Retirement Plan.

Retirement Plan. The plan is a funded, noncontributory defined benefit retirement plan administered by a Board of Trustees covering all regular full-time employees. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method. This method reflects service rendered by employees to the date of valuation and incorporates assumptions concerning the employees' projected salaries. The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets, if any, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Defined benefit pension costs comprise the following:

- Service cost;
- Net interest on the net defined benefit obligation or asset; and
- Remeasurements of net defined benefit obligation or asset

Service cost which includes current service costs, past service costs and gains or losses on non-routine settlements are recognized as part of "Costs and expenses" under "Administrative" account in the consolidated statement of income. Past service costs are recognized when plan amendment or curtailment occurs.

Net interest on the net defined benefit obligation or asset is the change during the period in the net defined benefit obligation or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit obligation or asset is recognized as part of "Costs and expenses" under "Administrative" account in the consolidated statement of income.

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

Plan assets are assets that are held by a long-term employee benefit fund. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

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

Foreign Currency-denominated Transactions
The consolidated financial statements are presented in Philippine peso, which is SMPH's functional and presentation currency. Transactions in foreign currencies are initially recorded in the functional currency rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are restated at the functional currency rate of exchange at reporting period. Nonmonetary items denominated in foreign currency are translated using the exchange rates as at the date of initial recognition. All differences are taken to the consolidated statements of income.

Foreign Currency Translation
The assets and liabilities of foreign operations are translated into Philippine peso at the rate of exchange ruling at reporting period and their respective statements of income are translated at the weighted average rates for the year. The exchange differences arising on the translation are included in the consolidated statements of comprehensive income and are presented within the "Cumulative translation adjustment" account in the consolidated statements of changes in equity. On disposal of a foreign entity, the deferred cumulative amount of exchange differences recognized in equity relating to that particular foreign operation is recognized in the profit or loss.

Leases
The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Company as Lessor. Leases where the Company does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Lease income from operating leases are recognized as income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Lease Modification. Lease modification is defined as a change in the scope of a lease, or the consideration for a lease, that was not part of the original terms and conditions of the lease (for example, adding or terminating the right to use one or more underlying assets, or extending or shortening the contractual lease term).

A lessor shall account for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease. If a change in lease payments does not meet the definition of a lease modification, that change would generally be accounted for as a negative variable lease payment. In the case of an operating lease, a lessor recognizes the effect of the rent concession by recognizing lower income from leases.

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

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments which includes in substance fixed payments. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the IBR at the lease commencement date. After the commencement date, the amount of lease liabilities is adjusted to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

The Company also recognized ROUA in property and equipment (office spaces) and investment properties (land lease and land use rights) at the commencement date of the lease (i.e., the date the underlying asset is available for use). The initial cost of ROUA includes the amount of lease liabilities recognized less any lease payments made at or before the commencement date.

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

The Company recognizes deferred tax asset and liability based from the lease liability and ROUA, respectively, on a gross basis, as of balance sheet date.

Provisions

Provisions are recognized when the Company 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 Company 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.

Borrowing Costs

Borrowing costs are capitalized if they are directly attributable to the acquisition or construction of a qualifying asset as part of the cost of that asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use or sale.

Borrowing costs are capitalized when it is probable that they will result in future economic benefits to the Company.

The interest capitalized is calculated using the Company's weighted average cost of borrowings after adjusting for borrowings associated with specific developments. Where borrowings are associated with specific developments, the amount capitalized is the gross interest incurred on those borrowings less any investment income arising on the temporary investment of those borrowings. Interest is capitalized from the commencement of the development work until the date of practical completion, i.e., when substantially all of the development work is completed.

Borrowing costs include exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest cost. The Company limits exchange losses taken as amount of borrowing costs to the extent that the total borrowing costs capitalized do not exceed the amount of borrowing costs that would be incurred on functional currency equivalent borrowings. The amount of foreign exchange differences eligible for capitalization is determined for each period separately. Foreign exchange losses that did not meet the criteria for capitalization in previous years are not capitalized in subsequent years. All other borrowing costs are expensed as incurred.

Taxes

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

Current income tax relating to item recognized directly in equity is recognized in equity and not in the profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred Tax. Deferred tax is provided, using the balance sheet liability method, on temporary differences at reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or 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 taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences and carryforward benefits of excess MCIT and 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 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, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting 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 each reporting period and are recognized to the extent that it has become probable that 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 at reporting period.

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 statement 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 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, if applicable.

When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as part of "Accounts payable and other current liabilities" account in the consolidated balance sheets. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as part of "Prepaid expenses and other current assets" account in the consolidated balance sheets to the extent of the recoverable amount.

<u>Business Segments</u>
The Company is organized and managed separately according to the nature of business. The four operating business segments are mall, residential, commercial and hotels and convention centers. These operating businesses are the basis upon which the Company reports its segment information presented in Note 4 to the consolidated financial statements.

<u>Basic/Diluted Earnings Per Common Share (EPS)</u>
Basic EPS is computed by dividing the net income for the period attributable to owners of the Parent by the weighted-average number of issued and outstanding common shares during 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 dilutive potential ordinary shares, if any.

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

Events after the Reporting Period
Post year-end events that provide additional information about the Company's financial position at the end of the reporting period (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

4. Segment Information

For management purposes, the Company is organized into business units based on their products and services, and has four reportable operating segments as follows: mall, residential, commercial and hotels and convention centers.

Mall segment develops, conducts, operates and maintains the business of modern commercial shopping centers and all businesses related thereto such as the conduct, operation and maintenance of shopping center spaces for rent, amusement centers, or cinema theaters within the compound of the shopping centers.

Residential and commercial segments are involved in the development and transformation of major residential, commercial, entertainment and tourism districts through sustained capital investments in buildings and infrastructure.

Hotels and convention centers segment engages in and carry on the business of hotel and convention centers and operates and maintains any and all services and facilities incident thereto.

Management, through the Executive Committee, monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with the operating profit or loss in the consolidated financial statements.

The amount of segment assets and liabilities and segment profit or loss are based on measurement principles that are similar to those used in measuring the assets and liabilities and profit or loss in the consolidated financial statements, which is in accordance with PFRS.

Inter-segment Transactions
Transfer prices between business segments are set on an arm's length basis similar to transactions with nonrelated parties. Such transfers are eliminated in the consolidated financial statements.

Business Segment Data

	2023					
	Mall	**Residential**	**Commercial**	**Hotels and Convention Centers**	**Eliminations**	**Consolidated Balances**
			(In Thousands)			
Revenue:						
External customers	**₱71,946,036**	**₱43,100,208**	**₱6,781,687**	**₱6,269,610**	**₱–**	**₱128,097,541**
Inter-segment	**176,623**	**–**	**115,067**	**18,108**	**(309,798)**	**–**
	₱72,122,659	**₱43,100,208**	**₱6,896,754**	**₱6,287,718**	**(₱309,798)**	**₱128,097,541**
Segment results:						
Income before income tax	**₱30,123,686**	**₱13,980,341**	**₱4,440,189**	**₱1,510,564**	**(₱214,961)**	**₱49,839,819**
Provision for income tax	**(5,690,732)**	**(2,292,182)**	**(715,095)**	**(277,965)**	**–**	**(8,975,974)**
Net income	**₱24,432,954**	**₱11,688,159**	**₱3,725,094**	**₱1,232,599**	**(₱214,961)**	**₱40,863,845**
Net income attributable to:						
Equity holders of the Parent	**₱23,593,802**	**₱11,673,967**	**₱3,725,094**	**₱1,232,599**	**(₱214,961)**	**₱40,010,501**
Non-controlling interests	**839,152**	**14,192**	**–**	**–**	**–**	**853,344**
Segment assets	**₱473,704,969**	**₱344,557,303**	**₱109,171,158**	**₱17,711,201**	**(₱1,817,056)**	**₱943,327,575**
Segment liabilities	**₱323,926,223**	**₱195,426,558**	**₱25,596,386**	**₱1,308,428**	**(₱1,817,056)**	**₱544,440,539**
Other information:						
Capital expenditures	**₱37,253,756**	**₱25,436,310**	**₱23,733,455**	**₱1,752,397**	**₱–**	**₱88,175,918**
Depreciation and amortization	**11,371,327**	**131,347**	**1,536,430**	**617,669**	**–**	**13,656,773**

	2022					
	Mall	Residential	Commercial	Hotels and Convention Centers	Eliminations	Consolidated Balances
			(In Thousands)			
Revenue:						
External customers	₱55,379,678	₱40,077,157	₱5,996,483	₱4,332,317	₱–	₱105,785,635
Inter-segment	160,890	5,417	126,801	11,631	(304,739)	–
	₱55,540,568	₱40,082,574	₱6,123,284	₱4,343,948	(₱304,739)	₱105,785,635
Segment results:						
Income before income tax	₱24,291,544	₱10,905,230	₱3,969,174	₱402,171	(₱854,115)	₱38,714,004
Provision for income tax	(4,857,306)	(2,000,690)	(1,013,584)	(99,295)	–	(7,970,875)
Net income	₱19,434,238	₱8,904,540	₱2,955,590	₱302,876	(₱854,115)	₱30,743,129
Net income attributable to:						
Equity holders of the Parent	₱18,800,574	₱8,894,874	₱2,955,590	₱302,876	(₱854,115)	₱30,099,799
Non-controlling interests	633,664	9,666	–	–	–	643,330
Segment assets	₱461,547,075	₱317,089,509	₱81,047,183	₱16,296,204	(₱1,765,319)	₱874,214,652
Segment liabilities	₱320,311,592	₱180,624,978	₱8,524,126	₱1,367,669	(₱1,765,319)	₱509,063,046
Other information:						
Capital expenditures	₱25,786,080	₱36,345,071	₱12,194,451	₱1,093,268	₱–	₱75,418,870
Depreciation and amortization	10,373,095	138,188	1,347,108	629,371	–	12,487,762

	2021					
	Mall	Residential	Commercial	Hotels and Convention Centers	Eliminations	Consolidated Balances
			(In Thousands)			
Revenue:						
External customers	₱29,919,619	₱45,895,228	₱4,920,521	₱1,580,116	₱–	₱82,315,484
Inter-segment	159,270	1,799	89,389	7,364	(257,822)	–
	₱30,078,889	₱45,897,027	₱5,009,910	₱1,587,480	(₱257,822)	₱82,315,484
Segment results:						
Income (loss) before income tax	₱6,649,817	₱19,175,121	₱3,244,353	(₱924,580)	(₱411,186)	₱27,733,525
Provision for income tax	(1,122,152)	(3,948,973)	(750,997)	–	–	(5,822,122)
Net income (loss)	₱5,527,665	₱15,226,148	₱2,493,356	(₱924,580)	(₱411,186)	₱21,911,403

	2021					
	Mall	Residential	Commercial	Hotels and Convention Centers	Eliminations	Consolidated Balances
Net income (loss) attributable to:						
Equity holders of the Parent	₱5,406,970	₱15,221,956	₱2,493,356	(₱924,580)	(₱411,186)	₱21,786,516
Non-controlling interests	120,695	4,192	–	–	–	124,887
Segment assets	₱429,925,281	₱291,750,749	₱69,761,727	₱14,930,876	(₱1,965,353)	₱804,403,280
Segment liabilities	₱297,139,809	₱166,632,085	₱7,395,124	₱840,842	(₱1,965,353)	₱470,042,507
Other information:						
Capital expenditures	₱26,005,686	₱33,710,404	₱3,659,529	₱1,542,416	₱–	₱64,918,035
Depreciation and amortization	9,006,617	120,416	1,046,814	643,022	–	10,816,869

For the years ended December 31, 2023, 2022 and 2021, there were no revenue transactions with a single external customer which accounted for 10% or more of the consolidated revenue from external customers. The main revenues of the Company are substantially earned from the Philippines.

The Company disaggregates its revenue information in the same manner as it reports its segment information.

Seasonality

There were no other trends, events or uncertainties that have had or that are reasonably expected to have a material impact on net sales or revenues or income from continuing operations.

5. Business Combination

In January 2022, the Parent Company acquired 100% of the outstanding shares of BTC. BTC is under common control by the Sy Family. Thus, the acquisition was accounted for using pooling of interest method. Assets acquired and liabilities assumed in January 2022 is ₱1,593 million and ₱1,612 million, respectively. The acquisition resulted to equity reserve adjustment amounting to ₱44 million included under Additional Paid-in Capital - Net account in the equity section of the balance sheet (see Note 18).

6. Cash and Cash Equivalents

This account consists of:

	2023	2022
	(In Thousands)	
Cash on hand and in banks (see Note 19)	**₱10,239,900**	₱8,595,584
Temporary investments (see Note 19)	**21,576,902**	33,464,498
	₱31,816,802	₱42,060,082

Cash in banks earn interest at the respective bank deposit rates. Temporary investments are made for varying periods of up to three months depending on the immediate cash requirements of the Company and earn interest at the respective temporary investment rates.

Credit risk from balances with banks and financial institutions is managed by the Company's treasury department in accordance with the Company's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. The limits are set to minimize the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure to make payments.

Interest income earned from cash in banks and temporary investments amounted to ₱1,450 million, ₱1,070 million and ₱627 million for the years ended December 31, 2023, 2022 and 2021, respectively (see Note 22).

7. Receivables and Contract Assets

This account consists of:

	2023	2022
	(In Thousands)	
Trade (billed and unbilled):		
Sale of real estate*	**₱132,177,723**	₱114,005,269
Rent:		
Third parties	**9,352,668**	10,217,117
Related parties (see Note 19)	**3,471,144**	3,427,264
Accrued interest (see Note 19)	**265,371**	442,377
Nontrade and others (see Note 19)	**3,062,977**	4,119,332
	148,329,883	132,211,359
Less allowance for ECLs	**777,378**	721,482
	147,552,505	131,489,877
Less noncurrent portion of trade receivables from sale of real estate (see Note 14)	**70,600,303**	48,929,523
	₱76,952,202	₱82,560,354

**Includes unbilled revenue from sale of real estate amounting to ₱114,898 million and ₱100,157 million as at December 31, 2023 and 2022, respectively.*

The terms and conditions of the above receivables are as follows:

- Trade receivables from tenants are non-interest bearing and are normally collectible on a 30 to 90 days' term. Trade receivables from sale of real estate pertain to sold real estate inventories at various terms of payments, which are interest bearing and non-interest bearing.

  The Company assigned billed and unbilled receivables from sale of real estate on a without recourse basis to local banks amounting to ₱4,131 million and nil for the years ended December 31, 2023 and 2022, respectively (see Note 19).

  The Company also has assigned billed and unbilled receivables f rom real estate on a with recourse basis to local banks with outstanding balance of ₱217 million and ₱1,182 million as at December 31, 2023 and 2022, respectively. The related liability from assigned receivables, which is of equal amount with the assigned receivables, bear interest rates of 5.00% to 6.50% in 2023 and 3.75% to 5.00% in 2022. The fair value of the assigned receivables and liability from assigned receivables approximates their costs.

  The total cost of related financing recorded under interest expense amounted to ₱717 million and ₱18 million and ₱33 million for the years ended December 31, 2023, 2022 and 2021, respectively (see Note 22).

- Accrued interest and other receivables are normally collected throughout the next financial period.

Interest income earned from receivables totaled ₱232 million, ₱149 million and ₱86 million for the years ended December 31, 2023, 2022 and 2021, respectively (see Note 22).

Customer credit risk is managed by each business unit subject to the Company's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored.

There is no allowance for ECLs on unbilled revenue from sale of real estate as of December 31, 2023 and 2022. The movements in the allowance for ECLs related to receivables from rent are as follows:

	2023	2022
	(In Thousands)	
At beginning of year	**₱721,482**	₱723,319
Provisions (reversals) - net (see Note 21)	**55,896**	(1,837)
At end of year	**₱777,378**	₱721,482

The aging analysis of receivables and unbilled revenue from sale of real estate as at December 31 are as follows:

	2023	2022
	(In Thousands)	
Neither past due nor impaired	**₱128,027,966**	₱115,020,835
Past due:		
Less than 30 days	**4,805,072**	4,906,282
31–90 days	**6,044,097**	3,211,588
91–120 days	**2,142,720**	2,411,591
Over 120 days	**6,532,650**	5,939,581
Impaired	**777,378**	721,482
	₱148,329,883	₱132,211,359

Receivables, except for those that are impaired, are assessed by the Company's management as not impaired, good and collectible.

The transaction price allocated to the remaining performance obligations totaling ₱38,087 million and ₱25,392 million as at December 31, 2023 and 2022, respectively are expected to be recognized over the construction period ranging from one to five years.

8. Real Estate Inventories

The movements in this account are as follows:

	Land and Development	Condominium, Residential Units and Subdivision Lots for Sale	Total
		(In Thousands)	
Balance as at December 31, 2021	₱37,229,526	₱19,345,521	₱56,575,047
Development cost incurred	27,956,439	–	27,956,439
Cost of real estate sold (see Note 21)	(11,153,550)	(5,745,018)	(16,898,568)
Transfers	(12,643,521)	12,643,521	–
Reclassifications from investment properties (see Note 12)	2,204,897	–	2,204,897
Translation adjustment and others	187,070	475,140	662,210
Balance as at December 31, 2022	43,780,861	26,719,164	70,500,025
Development cost incurred	22,141,007	–	22,141,007
Cost of real estate sold (see Note 21)	(13,166,920)	(3,493,990)	(16,660,910)
Transfers	(1,902,929)	1,902,929	–
Reclassifications from investment properties (see Note 12)	1,807,712	–	1,807,712
Translation adjustment and others	98,606	341	98,947
Balance as at December 31, 2023	**₱52,758,337**	**₱25,128,444**	**₱77,886,781**

Land and development pertains to the Company's on-going residential units and condominium projects. Estimated cost to complete the projects amounted to ₱103,578 million and ₱106,894 million as at December 31, 2023 and 2022, respectively.

Condominium and residential units for sale pertain to completed projects. These are stated at cost as at December 31, 2023 and 2022.

Contract fulfillment assets, included under land and development, mainly pertain to unamortized portion of land cost totaling ₱1,777 million and ₱959 million as at December 31, 2023 and 2022, respectively.

9. Equity Instruments at FVOCI

This account consists of investments in:

	2023	2022
	(In Thousands)	
Shares of stock:		
Listed (see Note 19)	**₱20,312,735**	₱17,606,746
Unlisted	**5,317**	5,317
	20,318,052	17,612,063
Less noncurrent portion	**19,570,212**	17,077,198
	₱747,840	₱534,865

- Listed shares of stock pertain to investments in publicly listed companies.
- Unlisted shares of stock pertain to stocks of private corporations.

Dividend income from investments at FVOCI amounted to ₱440 million, ₱456 million and ₱186 million for the years ended December 31, 2023, 2022 and 2021, respectively (see Note 19).

The movements in the "Net fair value changes of equity instruments at FVOCI" account are as follows:

	2023	2022
	(In Thousands)	
At beginning of the year	**₱14,232,514**	₱14,708,368
Unrealized gain (loss) due to changes in fair value	**2,705,989**	(475,854)
At end of the year	**₱16,938,503**	₱14,232,514

10. **Prepaid Expenses and Other Current Assets**

This account consists of:

	2023	2022
	(In Thousands)	
Input and creditable withholding taxes	**₱12,030,388**	₱11,386,654
Advances and deposits	**8,724,322**	8,925,364
Prepaid taxes and other prepayments	**6,409,923**	4,788,282
Supplies and inventories	**420,623**	424,361
Others	**219,674**	242,673
	₱27,804,930	₱25,767,334

- Input tax represents VAT paid to suppliers that can be claimed as credit against the future output VAT liabilities without prescription. Creditable withholding tax is the tax withheld by the withholding agents from payments to the Company which can be applied against the income tax payable.

- Advances and deposits pertain to downpayments made to suppliers or contractors to cover preliminary expenses of the contractors in construction projects. The amounts are non-interest bearing and are recouped upon every progress billing payment depending on the percentage of accomplishment. This account also includes construction bonds, rental deposits and deposits for utilities and advertisements.

- Prepaid taxes and other prepayments consist of prepayments for insurance, real property taxes, rent, and other expenses which are normally utilized within the next financial period.

11. **Property and Equipment**

The movements in this account are as follows:

	Buildings, Land and Leasehold Improvements	Furniture, Fixtures and Other Equipment	ROUA - Office Spaces	Total
		(In Thousands)		
Cost				
Balance at December 31, 2021	₱2,316,525	₱1,307,981	₱7,454	₱3,631,960
Additions	110,481	87,587	–	198,068
Disposals	–	(5,443)	–	(5,443)
Balance at December 31, 2022	2,427,006	1,390,125	7,454	3,824,585
Additions	185,262	155,844	–	341,106
Disposals	(16,472)	(2,878)	(7,454)	(26,804)
Balance at December 31, 2023	₱2,595,796	₱1,543,091	₱–	₱4,138,887
Accumulated Depreciation and Amortization				
Balance at December 31, 2021	₱1,160,671	₱1,093,624	₱5,389	₱2,259,684
Depreciation and amortization (see Note 21)	90,178	78,205	2,065	170,448
Disposals	–	(5,387)	–	(5,387)
Balance at December 31, 2022	1,250,849	1,166,442	7,454	2,424,745
Depreciation and amortization (see Note 21)	78,545	90,940	–	169,485
Disposals	–	(2,879)	(7,454)	(10,333)
Balance at December 31, 2023	₱1,329,394	₱1,254,503	₱–	₱2,583,897
Net Book Value				
As at December 31, 2022	₱1,176,157	₱223,683	₱–	₱1,399,840
As at December 31, 2023	**₱1,266,402**	**₱288,588**	**₱–**	**₱1,554,990**

The company disposed certain properties and equipment in 2023 and 2022. The loss on disposal is recognized in the consolidated statements of income under “Others - net” account

12. Investment Properties

The movements in this account are as follows:

	Land, Building and Leasehold Improvements	Building Equipment, Furniture and Others	ROUA - Land	Construction in Progress	Total
Cost					
Balance as at December 31, 2021	₱423,907,337	₱49,094,257	₱28,203,524	₱74,517,670	₱575,722,788
Additions	7,654,606	2,626,045	1,138,124	23,705,364	35,124,139
Effect of common control business combination (see Note 5)	189,431	430,872	–	363,091	983,394
Reclassifications (see Note 8)	26,545,451	4,103,090	(1,280,292)	(31,573,146)	(2,204,897)
Translation adjustment	358,622	27,723	106,771	84,967	578,083
Disposals	(369,967)	(46,618)	–	–	(416,585)
Balance as at December 31, 2022	458,285,480	56,235,369	28,168,127	67,097,946	609,786,922
Additions	18,207,086	3,108,856	5,719,181	46,548,285	73,583,408
Reclassifications (see Note 8)	26,994,487	2,449,872	–	(31,252,071)	(1,807,712)
Translation adjustment	(1,818,843)	(170,288)	(460,661)	(391,352)	(2,841,144)
Disposals	(425,770)	(530,451)	(10,558)	–	(966,779)
Balance as at December 31, 2023	₱501,242,440	₱61,093,358	₱33,416,089	₱82,002,808	₱677,754,695
Accumulated Depreciation and Amortization					
Balance as at December 31, 2021	₱74,597,796	₱32,020,231	₱1,712,773	₱–	₱108,330,800
Depreciation and amortization (see Note 21)	8,107,549	3,393,248	816,518	–	12,317,315
Translation adjustment	79,345	15,935	2,602	–	97,882
Disposals	(184,792)	(40,325)	–	–	(225,117)
Balance as at December 31, 2022	82,599,898	35,389,089	2,531,893	–	120,520,880
Depreciation and amortization (see Note 21)	8,748,034	3,979,841	759,413	–	13,487,288
Translation adjustment	(474,488)	(86,870)	(23,937)	–	(585,295)
Disposals	(366,969)	(373,808)	(2,147)	–	(742,924)
Balance as at December 31, 2023	₱90,506,475	₱38,908,252	₱3,265,222	₱–	₱132,679,949
Net Book Value					
As at December 31, 2022	₱375,685,582	₱20,846,280	₱25,636,234	₱67,097,946	₱489,266,042
As at December 31, 2023	**₱410,735,965**	**₱22,185,106**	**₱30,150,867**	**₱82,002,808**	**₱545,074,746**

The company disposed certain investment properties in 2023 and 2022. The loss on disposal is recognized in the consolidated statements of income under “Others - net” account.

Portions of investment properties located in China with total carrying value of ₱1,455 million and ₱1,624 million as at December 31, 2023 and 2022, respectively are mortgaged as collaterals to secure domestic borrowings (see Note 17).

Consolidated rent income from investment properties amounted to ₱72,114 million, ₱58,244 million and ₱34,694 million for the years ended December 31, 2023, 2022 and 2021, respectively.

Consolidated costs and expenses from investment properties, which generate income, amounted to ₱40,120 million, ₱30,598 million and ₱23,665 million for the years ended December 31, 2023, 2022 and 2021, respectively (see Note 21).

Construction in progress amounting to ₱82,003 million and ₱67,098 million as at December 31, 2023 and 2022, respectively includes shopping mall complex under construction, land and commercial building constructions.

The outstanding contracts with various contractors related to the construction of on-going projects are valued at ₱78,353 million and ₱79,532 million as at December 31, 2023 and 2022, 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 ₱5,791 million, ₱4,814 million and ₱4,005 million for the years ended December 31, 2023, 2022 and 2021, respectively. Capitalization rates used range from 2.27% to 5.38%, from 2.35% to 5.22%, and from 2.35% to 4.58% for the years ended December 31, 2023, 2022 and 2021, respectively.

The most recent fair value of investment properties is determined by an independent appraiser who holds a recognized and relevant professional qualification. The valuation of investment properties was based on market values using income approach and market value approach. The fair value represents the amount at which the assets can be exchanged between a knowledgeable, willing seller and a knowledgeable, willing buyer in an arm’s length transaction at the date of valuation, in accordance with International Valuation Standards as set out by the International Valuation Standards Committee.

Other than those investment properties held as collateral, the Company has no restriction on the realizability of its investment properties.

13. Investments in Associates and Joint Ventures

The ownership interests in associates and joint ventures accounted for under the equity method mainly consist of the following:

Company	Country of Incorporation	Percentage of Ownership 2023	2022
Associates			
Feihua Real Estate (Chongqing) Company Ltd. (FHREC)	People's Republic of China	**50.00**	50.00
Ortigas Land Corporation (OLC)	Philippines	**39.96**	39.96

Company	Country of Incorporation	Percentage of Ownership 2023	2022
Joint Ventures			
Winsome Development Corporation*	Philippines	**51.00**	51.00
Willin Sales, Inc.*	- do -	**51.00**	51.00
Willimson, Inc. *	- do -	**51.00**	51.00
Waltermart Ventures, Inc. *	- do -	**51.00**	51.00
WM Development, Inc. *	- do -	**51.00**	51.00
WM Shopping Center Management Inc.*	- do -	**51.00**	51.00
Metro Rapid Transit Service Inc.	- do -	**51.00**	51.00
ST 6747 Resources Corporation (STRC)	- do -	**50.00**	50.00

**collectively, Waltermart*

The movements in this account are as follows:

	Associates	Joint Ventures	Total
		(In Thousands)	
Balance as at December 31, 2021	₱19,940,320	₱9,247,115	₱29,187,435
Equity in net earnings	1,082,911	637,205	1,720,116
Dividends	(142,933)	(196,859)	(339,792)
Translation	10,561	–	10,561
Balance as at December 31, 2022	20,890,859	9,687,461	30,578,320
Equity in net earnings	1,273,549	889,062	2,162,611
Dividends	(130,928)	(128,774)	(259,702)
Translation	(50,034)	–	(50,034)
Balance as at December 31, 2023	**₱21,983,446**	**₱10,447,749**	**₱32,431,195**

The carrying value of investment in OLC amounted to ₱20,615 million and ₱19,473 million as at December 31, 2023 and 2022, respectively, which consists of its proportionate share in the net assets of OLC and fair value adjustments. The share in profit, net of dividend received of OLC amounted to ₱1,142 million, ₱940 million and ₱698 million for the years ended December 31, 2023, 2022 and 2021, respectively.

The carrying value of investment in FHREC amounted to ₱1,368 million and ₱1,418 million as at December 31, 2023 and 2022, respectively, with cumulative equity in net earnings amounting to ₱1,070 million and ₱1,109 million as at December 31, 2023 and 2022, respectively.

The carrying values of investments in Waltermart amounted to ₱8,152 million and ₱7,639 million as at December 31, 2023 and 2022, respectively. The aggregate share in profit and total comprehensive income, net of dividends received amounted to ₱513 million, ₱283 million and ₱216 million for the years ended December 31, 2023, 2022 and 2021, respectively.

The carrying value of investment in STRC amounted to ₱2,296 million and ₱2,048 million as at December 31, 2023 and 2022, respectively. The aggregate share in profit and total comprehensive income amounted to ₱248 million, ₱172 million and ₱198 million for the years ended December 31, 2023, 2022 and 2021, respectively.

The Company has no outstanding contingent liabilities or capital commitments related to its investments in associates and joint ventures as at December 31, 2023 and 2022.

14. **Other Noncurrent Assets**

This account consists of:

	2023	2022
	(In Thousands)	
Receivables from sale of real estate - net of current portion* (see Note 7)	**₱70,600,303**	₱48,929,523
Bonds and deposits	**46,894,238**	50,541,286
Escrow and time deposits (see Note 19)	**3,656,453**	5,105,361
Deferred input tax	**779,864**	1,069,739
Others (see Note 23)	**540,616**	554,997
	₱122,471,474	₱106,200,906

**Pertains to noncurrent portion of unbilled revenue from sale of real estate (see Note 7).*

- Bonds and deposits consist of deposits to contractors and suppliers to be applied throughout construction and advances, deposits paid for leased properties to be applied at the last term of the lease and advance payments for land acquisitions which will be applied against the purchase price of the properties upon fulfillment by both parties of certain undertakings and conditions.

- Cash in escrow amounting to ₱711 million and ₱489 million as at December 31, 2023 and 2022, respectively, pertains to the amounts deposited in the account of an escrow agent 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. Interest income earned from the cash in escrow amounted to ₱25 million, ₱6 million and ₱1 million for the years ended December 31, 2023, 2022 and 2021 respectively (see Note 22).

- Time deposits amounting to ₱2,945 million and ₱4,616 million as at December 31, 2023 and 2022, respectively, were used as collateral for use of credit lines obtained by the Company. Interest income earned amounted to ₱38 million, ₱94 million and ₱125 million for the years ended December 31, 2023, 2022 and 2021, respectively (see Note 22).

15. **Loans Payable**

This account consists of unsecured Philippine peso and China yuan renminbi denominated loans obtained from local and foreign banks amounting to ₱4,289 million and ₱5,423 million as at December 31, 2023 and 2022, respectively, with due dates of less than one year. These loans bear weighted average interest rates of 3.56% and China loan prime rate (LPR) in 2023 and 2022.

Interest expense incurred from loans payable amounted to ₱258 million, ₱160 million and ₱177 million for the years ended December 31, 2023, 2022 and 2021, respectively (see Note 22).

16. **Accounts Payable and Other Current Liabilities**

This account consists of:

	2023	2022
	(In Thousands)	
Trade:		
Third parties	**₱51,450,265**	₱41,044,372
Related parties (see Note 19)	**205,653**	166,076
Tenants' and customers' deposits* (see Note 25)	**39,678,216**	37,056,004
Accrued operating expenses	**15,834,744**	15,171,483
Deferred output VAT	**14,411,482**	10,920,582
Lease liabilities	**13,313,112**	13,473,170
Retention payable	**8,834,072**	7,206,273
Liability for purchased land	**5,042,435**	5,678,474
Accrued interest (see Note 19)	**2,827,101**	2,646,101
Payable to government agencies	**854,877**	1,606,431
Nontrade	**437,049**	354,153
Liability from assigned receivables and others (see Note 7)	**2,822,122**	3,808,517
	155,711,128	139,131,636
Less noncurrent portion	**56,633,700**	51,009,039
	₱99,077,428	₱88,122,597

** Includes unearned revenue from sale of real estate amounting to ₱7,018 million and ₱5,452 million as at December 31, 2023 and 2022, respectively, out of which ₱2,129 million and ₱4,343 million were recognized as revenue in 2023 and 2022, respectively.*

The terms and conditions of the above liabilities follow:

- Trade payables primarily consist of liabilities to suppliers and contractors, which are non-interest bearing and are normally settled within a 30-day term.

- Accrued operating expenses pertain to accrued selling, general and administrative expenses which are normally settled throughout the financial period. Accrued operating expenses consist of:

	2023	2022
	(In Thousands)	
Payable to contractors	**₱9,400,962**	₱9,133,293
Utilities	**2,468,876**	2,385,215
Marketing and advertising and others	**3,964,906**	3,652,975
	₱15,834,744	₱15,171,483

- Deferred output VAT represents output VAT on unpaid portion of recognized receivable from sale of real estate. This amount is reported as output VAT upon collection of the receivables.

- Lease liabilities included in "Other noncurrent liabilities" amounted to ₱13,181 million and ₱13,342 million as at December 31, 2023 and 2022, respectively. Interest on lease liabilities included under "Others - net" in the consolidated statements of income amounted to ₱366 million, ₱437 million and ₱404 million for the years ended December 31, 2023, 2022 and 2021, respectively.

- Retention payable pertains to the amount withheld by the Company from the contractors' progress billings which will be released after the guarantee period. The retention serves as a security from the contractor should there be defects in the project.

- Liability for purchased land, payable to government agencies, accrued interest and other payables are normally settled throughout the financial period.

17. **Long-term Debt**

This account consists of:

	Availment Date	Maturity Date	Weighted Average Interest Rate	Outstanding Balance	
				2023	2022
				(In Thousands)	
Philippine peso-denominated loans	June 3, 2013 - December 28, 2023	March 1, 2023 - April 2, 2032	Floating BVAL + margin; Fixed - 5.26%	**₱269,313,740**	₱248,359,200
U.S. dollar-denominated loans*	July 30, 2018 - June 30, 2022	June 14, 2023 - June 9, 2027	LIBOR + spread; semi-annual/quarterly in 2022; SOFR + spread; quarterly in 2023	**84,350,144**	91,062,847
China yuan renminbi-denominated loans**	May 6, 2021 - December 19, 2023	April 20, 2026 - June 24, 2037	China LPR; annually; Fixed - 3.65%	**10,590,461**	9,665,493
				364,254,345	349,087,540
Less debt issue cost				**1,885,738**	2,112,928
				362,368,607	346,974,612
Less current portion				**67,746,351**	50,839,776
				₱294,622,256	₱296,134,836

LIBOR – London Interbank Offered Rate
BVAL – Bloomberg Valuation Service
SOFR – Secured Overnight Financing Rate
**Hedged against foreign exchange and interest rate risks using derivative instruments*
***Secured by portions of investment properties located in China (see Note 12)*

Debt Issue Cost
The movements in unamortized debt issue cost of the Company follow:

	2023	2022
	(In Thousands)	
Balance at beginning of the year	**₱2,112,928**	₱1,966,100
Additions	**645,502**	884,484
Amortization	**(872,692)**	(737,656)
Balance at end of the year	**₱1,885,738**	₱2,112,928

Amortization of debt issuance costs is recognized in the consolidated statements of income under "Others - net" account.

Repayment and Debt Issue Cost Schedule
The repayments of long-term debt are scheduled as follows:

	Gross	Debt Issue Cost	Net
		(In Thousands)	
Within 1 year	₱68,491,059	(₱744,708)	₱67,746,351
More than 1 year to 5 years	263,585,992	(1,094,991)	262,491,001
More than 5 years	32,177,294	(46,039)	32,131,255
	₱364,254,345	(₱1,885,738)	₱362,368,607

The loan agreements of the Company provide certain restrictions and requirements principally with respect to maintenance of required financial ratios and material change in ownership or control. As at December 31, 2023 and 2022, the Company is in compliance with the terms of its loan covenants.

Interest expense from long-term debt charged to profit or loss amounted to ₱12,989 million, ₱11,288 million and ₱9,148 million for the years ended December 31, 2023, 2022 and 2021, respectively (see Note 22).

18. **Equity**

Capital Stock
As at December 31, 2023 and 2022, the Company has an authorized capital stock of 40,000 million with a par value of ₱1 a share, of which 33,166 million shares were issued. The Company has 28,856 million outstanding shares as at December 31, 2023 and 2022.

The following summarizes the information on SMPH's registration of securities under the Securities Regulation Code:

Date of SEC Approval/ Notification to SEC	Authorized Shares	No. of Shares Issued	Issue/Offer Price
March 15, 1994	10,000,000,000	–	₱–
April 22, 1994	–	6,369,378,049	5.35
May 29, 2007	10,000,000,000	–	–
May 20, 2008	–	912,897,212	11.86
October 14, 2010	–	569,608,700	11.50
October 10, 2013	20,000,000,000	15,773,765,315	19.50

SMPH declared stock dividends in 2012, 2007, 1996 and 1995. The total number of shareholders is 2,330 as at December 31, 2023.

Additional Paid-in Capital - Net
Following represents the nature of the consolidated "Additional paid-in capital - net":

	2023	2022
	(In Thousands)	
Paid-in subscriptions in excess of par value	**₱33,549,808**	₱33,549,808
Net equity adjustments from common control business combinations	**9,354,060**	9,354,060
Arising from net sale (acquisition) of non-controlling interests (see Note 2)	**(4,743,968)**	(4,779,675)
As presented in the consolidated balance sheets	**₱38,159,900**	₱38,124,193

Retained Earnings
In 2023, the BOD approved the declaration of cash dividend of ₱0.237 per share or ₱6,844 million to stockholders of record as of May 10, 2023, ₱5 million of which was received by SMDC. This was paid on May 24, 2023. In 2022, the BOD approved the declaration of cash dividend of ₱0.097 per share or ₱2,801 million to stockholders of record as of May 11, 2022, ₱2 million of which was received by SMDC. This was paid on May 24, 2022. In 2021, the BOD approved the declaration of cash dividend of ₱0.082 per share or ₱2,368 million to stockholders of record as of May 5, 2021, ₱2 million of which was received by SMDC. This was paid on May 19, 2021.

As at December 31, 2023 and 2022, the amount of retained earnings appropriated for the corporate and mall expansions amounted to ₱42,200 million. This represents appropriation for land banking activities and planned construction projects for the next two to three years. The appropriation is being fully utilized to cover part of the annual capital expenditure requirement of the Company. Approval of malls expansions and new projects is delegated by the BOD to the Executive Committee of the Company.

For the year 2024, the Company is looking at ₱100,000 million for its capital expenditure program.

The unappropriated retained earnings account is restricted for the payment of dividends to the extent of the accumulated equity in net earnings of subsidiaries, associates and joint ventures and the balance of treasury stock until such time that the Parent Company receives the dividends from its subsidiaries, associates and joint ventures. The retained earnings available for dividend declaration amounted to ₱115,550 million and ₱96,642 million as at December 31, 2023 and 2022, respectively.

Treasury Stock
As at December 31, 2023 and 2022, this includes 4,310 million reacquired capital stock and shares held by a subsidiary stated at acquisition cost of ₱2,985 million.

19. Related Party Transactions

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. Related parties may be individuals or corporate entities.

Terms and Conditions of Transactions with Related Parties

There have been no guarantees/collaterals provided or received for any related party receivables or payables. For the years ended December 31, 2023 and 2022, the Company has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each financial period through examining the financial position of the related party and the market in which the related party operates. Settlement of the outstanding balances normally occur in cash. The Company has approval process and established limits when entering into material related party transactions.

The significant transactions entered into by the Company with its related parties and the amounts included in the accompanying consolidated financial statements with respect to these transactions follow:

	Amount of Transactions			Outstanding Amount [Asset (Liability)]			
	2023	2022	2021	**2023**	2022	Terms	Conditions
			(In Thousands)				
Ultimate Parent							
Rent income	**₱69,449**	₱64,092	₱59,175	**₱–**	₱–		
Rent receivable	**–**	–	–	**7,899**	7,396	Non-interest bearing	Unsecured; not impaired
Other revenue	**36,414**	35,017	41,600	**–**	–		
Other receivable	**–**	–	–	**2,912**	2,912	Non-interest bearing	Unsecured; not impaired
Rent expense	**86,787**	69,755	25,298	**–**	–		
Trade payable	**–**	–	–	**(34,882)**	(30,068)	Non-interest bearing	Unsecured
Dividend income	**1,096**	913	621	**–**	–		
Equity instruments at FVOCI	**–**	–	–	**127,403**	131,494		
Banking and Retail Entities							
Cash and cash equivalents	**123,293,354**	122,886,066	127,864,300	**23,451,912**	34,031,170	Interest bearing based on prevailing rates	Unsecured; not impaired
Rent income	**17,707,839**	15,391,640	10,107,826	**–**	–		
Rent receivable	**–**	–	–	**3,388,569**	3,359,255	Non-interest bearing	Unsecured; not impaired
Other revenue	**90**	419	159	**–**	–		
Other receivable	**–**	–	–	**9,355**	8,941	Non-interest bearing	Unsecured; not impaired
Interest income	**1,231,347**	664,264	213,906	**–**	–		
Accrued interest receivable	**–**	–	–	**197,130**	119,002	Non-interest bearing	Unsecured; not impaired
Receivable financed	**4,130,907**	–	358,861	**–**	–	Without recourse	Unsecured
Dividend income	**324,088**	203,455	108,029	**–**	–		
Equity instruments at FVOCI	**–**	–	–	**14,097,820**	11,418,694		
Escrow and time deposits	**373,065**	196,272	161,034	**1,277,880**	1,046,262	Interest bearing and based on prevailing rates	Unsecured; not impaired
Long-term debt	**4,496,888**	12,521,075	1,700,000	**(20,746,834)**	(20,730,765)	Interest bearing	Unsecured
Interest expense	**1,716,133**	668,384	503,515	**–**	–		
Accrued interest payable	**–**	–	–	**(176,640)**	(157,668)	Non-interest bearing	Unsecured
Other expense	**220,182**	195,876	159,418	**–**	–		
Trade payable	**–**	–	–	**(159,999)**	(115,922)	Non-interest bearing	Unsecured

	Amount of Transactions			Outstanding Amount [Asset (Liability)]			
	2023	2022	2021	**2023**	2022	Terms	Conditions
			(In Thousands)				
Other Related Parties							
Rent income	**₱392,116**	₱314,324	₱120,962	**₱–**	₱–		
Rent receivable	**–**	–	–	**74,676**	60,613	Non-interest bearing	Unsecured; not impaired
Other revenue	**90,652**	121,004	155,683	**–**	–		
Other receivable	**–**	–	–	**17,148**	25,058	Non-interest bearing	Unsecured; not impaired
Rent expense	**663**	410	376	**–**	–		
Trade payable	**–**	–	–	**(10,772)**	(20,086)	Non-interest bearing	Unsecured

Affiliate refers to an entity that is neither a parent, subsidiary, nor an associate, with stockholders common to the SM Group or under common control.

Below are the nature of the Company's transactions with the related parties:

<u>Rent</u>
The Company has existing lease agreements for office and commercial spaces with related companies (retail and banking group and other related parties).

<u>Other Revenue</u>
The Company provides management, manpower and other related services.

<u>Dividend Income</u>
The Company's equity instruments at FVOCI of certain affiliates earn income upon the declaration of dividends by the investees.

<u>Cash Placements and Loans</u>
The Company has certain bank accounts and cash placements that are maintained with the banking group. Such accounts earn interest based on prevailing market interest rates (see Note 6).

The Company also availed of bank loans and long-term debt from the banking group and pays interest based on prevailing market interest rates (see Notes 15 and 17).

The Company also entered into financing arrangements with the banking group. There were no assigned receivables on a with recourse basis to the banking group in 2023 and 2022 (see Note 7).

<u>Others</u>
The Company, in the normal course of business, has outstanding receivables from and payables to related companies as at reporting period which are unsecured and normally settled in cash.

<u>Compensation of Key Management Personnel</u>
The aggregate compensation and benefits related to key management personnel for the years ended December 31, 2023, 2022 and 2021 consist of short-term employee benefits amounting to ₱1,495 million, ₱1,130 million and ₱1,059 million, respectively, and post-employment benefits (pension benefits) amounting to ₱298 million, ₱243 million and ₱229 million, respectively.

20. Other Revenue

Details of other revenue follows:

	2023	2022	2021
		(In Thousands)	
Cinema and event ticket sales	**₱4,020,155**	₱2,689,404	₱56,868
Merchandise sales	**3,263,194**	564,978	193,278
Food and beverages	**2,339,039**	1,786,358	611,751
Amusement income	**1,337,200**	1,093,416	226,423
Bowling and ice skating fees	**407,118**	335,452	29,301
Advertising income	**190,557**	99,912	87,155
Others (see Note 19)	**2,385,912**	1,925,688	1,300,403
	₱13,943,175	₱8,495,208	₱2,505,179

Others include service fees, parking terminal, sponsorships, commissions, and membership revenue.

21. Costs and Expenses

This account consists of:

	2023	2022	2021
		(In Thousands)	
Administrative (see Notes 19 and 23)	**₱17,450,432**	₱12,423,180	₱7,967,372
Cost of real estate sold (see Note 8)	**16,660,910**	16,898,568	18,686,708
Depreciation and amortization (see Notes 11 and 12)	**13,656,773**	12,487,763	10,816,869
Marketing and selling	**7,056,076**	5,438,162	5,445,482
Business taxes and licenses	**5,303,596**	4,658,425	5,141,919
Film rentals	**2,036,632**	1,399,271	20,539
Rent (see Notes 19 and 25)	**1,324,430**	1,130,559	581,803
Insurance	**634,148**	541,200	497,387
Others	**2,695,303**	1,565,194	742,854
	₱66,818,300	₱56,542,322	₱49,900,933

Administrative expenses include utilities, security, janitorial and other outsourced services. Rent expense pertain to variable payments for various lease agreements. Others include bank charges, donations, dues and subscriptions, services fees and transportation and travel.

22. Interest Income and Interest Expense

The details of the sources of interest income and interest expense follow:

	2023	2022	2021
		(In Thousands)	
Interest income on:			
Cash and cash equivalents (see Note 6)	**₱1,450,318**	₱1,070,051	₱627,033
Escrow and time deposits (see Note 14)	**62,574**	100,034	125,458
Others (see Note 7)	**232,335**	149,253	86,776
	₱1,745,227	₱1,319,338	₱839,267

	2023	2022	2021
		(In Thousands)	
Interest expense on:			
Long-term debt (see Note 17)	**₱12,988,734**	₱11,288,049	₱9,147,532
Loans payable (see Note 15)	**257,559**	159,904	176,792
Others (see Note 7)	**716,978**	17,834	33,292
	₱13,963,271	₱11,465,787	₱9,357,616

23. **Pension Benefits**

The Company has funded defined benefit pension plans covering all regular and permanent employees. The benefits are based on employees' projected salaries and number of years of service. The latest actuarial valuation report is as at December 31, 2023.

The following tables summarize the components of the pension plan as at December 31:

Net Pension Cost (included under "Costs and expenses" account under "Administrative")

	2023	2022	2021
		(In Thousands)	
Current service cost	**₱427,647**	₱377,990	₱376,779
Past service cost	**8,897**	–	–
Interest - net and others	**59,301**	28,911	8,348
	₱495,845	₱406,901	₱385,127

Net Pension Asset (included under "Other noncurrent assets" account)

	2023	2022
	(In Thousands)	
Fair value of plan assets	**₱173,807**	₱821,454
Defined benefit obligation	**(87,475)**	(725,095)
Effect of asset ceiling limit	**(19,166)**	(30,264)
Net pension asset	**₱67,166**	₱66,095

Net Pension Liability (included under "Other noncurrent liabilities" account)

	2023	2022
	(In Thousands)	
Defined benefit obligation	**₱4,672,036**	₱3,382,257
Fair value of plan assets	**(3,461,552)**	(2,250,763)
Net pension liability	**₱1,210,484**	₱1,131,494

The changes in the present value of the defined benefit obligation are as follows:

	2023	2022
	(In Thousands)	
Balance at beginning of the year	**₱4,107,352**	₱3,405,858
Interest cost and others	**290,807**	467,022
Current service cost	**427,647**	377,990
Past service cost	**8,897**	–
Actuarial loss (gain) on:		
Experience adjustments	**125,692**	(30,723)
Changes in demographic assumptions	**8,277**	(34,416)
Changes in financial assumptions	**(44,553)**	219,213
Benefits paid	**(183,908)**	(310,269)
Transfers	**19,300**	12,677
Balance at end of the year	**₱4,759,511**	₱4,107,352

The changes in the fair value of plan assets are as follows:

	2023	2022
	(In Thousands)	
Balance at beginning of year	**₱3,072,217**	₱2,984,973
Contributions	**570,379**	336,366
Interest income and others	**233,738**	308,480
Transfers	**19,300**	12,677
Benefits paid from assets	**(183,908)**	(310,269)
Remeasurement loss	**(76,367)**	(260,010)
Balance at end of year	**₱3,635,359**	₱3,072,217

The changes in the effect of asset ceiling limit are as follows:

	2023	2022
	(In Thousands)	
Balance at beginning of year	**₱30,264**	₱25,477
Interest cost	**2,232**	1,202
Remeasurement gain (loss)	**(13,330)**	3,585
Balance at end of year	**₱19,166**	₱30,264

The carrying amounts of the plan assets below equal to its fair values as at December 31, 2023 and 2022.

	2023	2022
	(In Thousands)	
Cash and cash equivalents	**₱17,789**	₱26,290
Investments in:		
Government securities	**1,948,988**	1,347,626
Common trust funds	**1,267,811**	1,143,227
Debt and other securities	**373,905**	528,448
Equity securities	**–**	11,496
Other financial assets	**26,866**	15,130
	₱3,635,359	₱3,072,217

- Cash and cash equivalents include regular savings and time deposits;
- Investments in government securities consist of retail treasury bonds which earn interest based on the prevailing market rates and have maturities ranging from 2024 to 2033;
- Investments in common trust funds pertain to unit investment trust fund;
- Investments in debt and other securities consist of short-term and long-term corporate loans, notes and bonds which earn interest based on the prevailing market rates and have maturities ranging from 2024 to 2029;
- Investments in equity securities consist of listed and unlisted equity securities; and
- Other financial assets include accrued interest income on cash deposits held by the Retirement Plan.

Debt and other securities, equity securities and government securities have quoted prices in active market. The remaining plan assets do not have quoted market prices in active market.

The plan assets have diverse instruments and do not have any concentration of risk.

The following table summarizes the outstanding balances and transactions of the pension plan as at and for the years ended December 31:

	2023	2022
	(In Thousands)	
Cash and cash equivalents	**₱17,789**	₱26,290
Interest income from cash and cash equivalents	**2,278**	137
Investments in common trust funds	**1,267,811**	1,143,227
Gain (loss) from investments in common trust funds	**73,208**	(131,927)

The principal assumptions used in determining pension obligations for the Company's plan are shown below:

	2023	2022
Discount rate	**6.0%–6.4%**	6.8%–7.3%
Future salary increases	**3.0%–10.0%**	3.0%–10.0%

Remeasurement effects recognized in OCI at December 31 follow:

	2023	2022	2021
		(In Thousands)	
Actuarial loss (gain)	**₱165,783**	₱414,084	(₱108,575)
Remeasurement loss (gain) - excluding amounts recognized in net interest cost	**(13,330)**	3,585	14,437
	₱152,453	₱417,669	(₱94,138)

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as at December 31, 2023 and 2022, respectively, assuming all other assumptions were held constant:

	Increase (Decrease) in Basis Points	Increase (Decrease) in Defined Benefit Obligation
		(In Thousands)
2023		
Discount rates	**50**	**(₱340,764)**
	(50)	**392,738**
Future salary increases	**100**	**383,921**
	(100)	**(340,136)**
2022		
Discount rates	50	(₱307,539)
	(50)	355,952
Future salary increases	100	344,704
	(100)	(304,331)

The Company and the pension plan has no specific matching strategies between the pension plan assets and the defined benefit obligation under the pension plan.

Shown below is the maturity analysis of the undiscounted benefit payments as at December 31, 2023 and 2022, respectively:

Year 2023	**Amount**
	(In Thousands)
2024	**₱1,100,326**
2025	**422,482**
2026–2027	**886,111**
2028–2033	**3,518,907**

Year 2022	Amount
	(In Thousands)
2023	₱938,840
2024	337,030
2025–2026	815,147
2027–2032	3,173,913

The Company expects to contribute about ₱733 million to its defined benefit pension plan in 2024.

The weighted average duration of the defined benefit obligation is 7.9 years as of December 31, 2023 and 2022.

24. **Income Tax**

The current provision for income tax presented in the consolidated statements of income represents RCIT and MCIT.

The details of the Company's deferred tax assets and liabilities are as follows:

	2023	2022
	(In Thousands)	
Deferred tax assets:		
Lease liabilities	**₱2,118,078**	₱2,145,193
NOLCO	**1,352,600**	335,693
Excess of fair value over cost of investment properties and others	**523,436**	252,069
Unrealized foreign exchange losses	**408,343**	408,426
Excess MCIT over RCIT	**276,526**	102,702
Unamortized past service cost	**43,969**	33,127
Provision for ECLs on receivables	**21,624**	21,626
Others	**584,606**	565,136
	5,329,182	3,863,972
Deferred tax liabilities:		
Unrealized gross profit on sale of real estate	**(11,190,690)**	(8,896,471)
Undepreciated capitalized interest, unrealized foreign exchange gains and others	**(3,276,002)**	(3,308,502)
ROUA	**(1,633,055)**	(1,693,636)
Pension asset	**(23,770)**	(22,543)
Others	**(171,402)**	(151,494)
	(16,294,919)	(14,072,646)
Net deferred tax liabilities	**(₱10,965,737)**	(₱10,208,674)

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

	2023	2022
	(In Thousands)	
Deferred tax assets - net	**₱1,492,359**	₱931,366
Deferred tax liabilities - net	**(12,458,096)**	(11,140,040)
	(₱10,965,737)	(₱10,208,674)

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

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

- Effective July 1, 2020, RCIT rate is reduced from 30% to 25%. For entities with net taxable income not exceeding ₱5 million and with total assets not exceeding ₱100 million (excluding land on which the business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20%.
- MCIT rate reduced from 2% to 1% of gross income for 3 years or until June 30, 2023.
- Imposition of improperly accumulated earnings tax is repealed.

Applying the provisions of the CREATE Act, the Company have been subjected to the lower tax rate of 15% (optional standard deduction (OSD) to 25% (itemized deduction) of taxable income and 1% MCIT of gross income for 3 years or until June 30, 2023.

The Company recognized one-time impact of CREATE in the consolidated statement of comprehensive income for the period ended December 31, 2021 amounting to ₱293 million and ₱39 million for provision for income tax (current and deferred) and remeasurement loss on defined benefit obligation, respectively. Deferred tax liabilities - net also decreased by ₱218 million.

The reconciliation between the statutory tax rates and the effective tax rates on income before income tax as shown in the consolidated statements of income follows:

	2023	2022	2021
Statutory tax rate	**25.00%**	25.00%	25.00%
Income tax effects of:			
Equity in net earnings of associates and joint ventures	**(1.08)**	(1.11)	(1.07)
Interest income subjected to final tax and dividend income exempt from income tax	**(0.84)**	(0.73)	(0.33)
Others - net	**(5.07)**	(2.57)	(2.61)
Effective tax rates	**18.01%**	20.59%	20.99%

The Company's certain real estate sales are registered with the Philippine Board of Investments as a new developer of low-cost mass housing projects. Under such registration, the Company is entitled to a three to four-year income tax holiday incentive for certain projects.

25. Lease Agreements

Company as Lessor

The Company's lease agreements with its mall and commercial property tenants are generally granted for a term of one year, with the exception of some of the larger tenants operating nationally, which are granted initial lease terms of 5 years for mall tenants and 2 to 20 years for commercial property tenants, renewable on an annual basis thereafter. At the inception of the lease agreement, tenants are required to pay certain amounts of deposits. At the termination of the lease contracts, the deposits received by the Company are returned to tenants, reduced by unpaid rental fees, penalties and/or deductions from repairs of damaged leased properties, if any. Tenants likewise pay either a fixed monthly rent, which is calculated by reference to a fixed sum per square meter of area leased, or pay rent on a percentage rental basis, which comprises of a basic monthly amount and a percentage of gross sales or a minimum set amount, whichever is higher.

The Company's future minimum rent receivables for the noncancellable portions of the operating leases follow:

	2023	2022
	(In Millions)	
Within one year	**₱6,312**	₱7,261
After one year but not more than five years	**10,975**	11,807
After more than five years	**6,718**	6,878
	₱24,005	₱25,946

Consolidated rent income amounted to ₱72,114 million, ₱58,244 million and ₱34,694 million for the years ended December 31, 2023, 2022 and 2021, respectively.

Company as Lessee
The Company leases certain parcels of land where some of its malls are situated or constructed. The terms of the lease are for periods ranging from 5 to 65 years, renewable for the same period under the same terms and conditions. Rental payments are generally computed based on a certain percentage of the gross rental income or a certain fixed amount, whichever is higher. The Company also has various operating lease commitments with third party and related parties with noncancellable periods ranging from 2 to 30 years, mostly containing renewal options. Several lease contracts provide for the payment of additional rental based on certain percentage of sales of the tenants.

Amounts recognized in the consolidated statements of income follow:

	2023	2022	2021
		(In Millions)	
Rent expense (see Note 21)	**₱1,324**	₱1,131	₱582
Depreciation on ROUA (see Notes 11, 12 and 21)	**759**	819	633
Interest expense on lease liabilities (see Note 16)	**366**	437	404
	₱2,449	₱2,387	₱1,619

The maturity analysis of the undiscounted lease payments as at December 31, 2023 and 2022, respectively, are presented in Note 26 to the consolidated financial statements.

26. **Financial Risk Management Objectives and Policies**

The Company's principal financial instruments, other than derivatives, comprise of cash and cash equivalents, accrued interest and other receivables, equity instruments at FVOCI and bank loans. The main purpose of these financial instruments is to finance the Company's operations. The Company has other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The Company also enters into derivative transactions, principally, cross currency swaps, principal only swaps, interest rate swaps, foreign exchange forward swaps and non-deliverable forwards. The purpose is to manage the interest rate and foreign currency risks arising from the Company's operations and its sources of finance (see Note 27).

The main risks arising from the Company's financial instruments are interest rate risk, foreign currency risk, liquidity risk, credit risk and equity price risk. The Company's BOD and management review and agree on the policies for managing each of these risks and they are summarized in the following tables.

Interest Rate Risk

The Company's policy is to manage its interest cost using a mix of fixed and floating rate debts. To manage this mix in a cost-efficient manner, it enters into interest rate swaps, in which the Company agrees to exchange, at specified intervals, the difference between fixed and floating rate interest amounts calculated by reference to an agreed-upon notional principal amount. These swaps are designated to economically hedge underlying debt obligations. As at December 31, 2023 and 2022, after considering the effect of interest rate swaps, approximately 78% of its long-term borrowings, are at a fixed rate of interest (see Note 27).

The following tables set out the carrying amount, by maturity, of the Company's long-term financial liabilities that are exposed to interest rate risk as at December 31, 2023 and 2022:

				2023			
	Interest Rate	**1–<2 Years**	**2–<3 Years**	**3–<4 Years**	**4–<5 Years**	**=>5 Years**	**Total**
Philippine peso-denominated loans	**BVAL+margin%**	**₱101,250**	**₱5,740,000**	**₱11,635,000**	**₱14,123,750**	**₱18,557,500**	**₱50,157,500**
U.S. dollar-denominated loans	**LIBOR + spread**	**–**	**$100,000**	**$200,000**	**$100,000**	**–**	**22,148,006**
China yuan renminbi-denominated loans	**LPR**	**¥168,491**	**¥277,650**	**¥366,851**	**¥156,564**	**¥212,838**	**9,221,027**
							81,526,533
Less debt issue cost							**475,556**
							₱81,050,977

				2022			
	Interest Rate	1–<2 Years	2–<3 Years	3–<4 Years	4–<5 Years	=>5 Years	Total
Philippine peso-denominated loans	BVAL+margin%	₱14,730,000	₱101,250	₱5,740,000	₱11,635,000	₱14,281,250	₱46,487,500
U.S. dollar-denominated loans	LIBOR + spread	–	–	$100,000	$200,000	$100,000	22,301,978
China yuan renminbi-denominated loans	LPR	¥69,803	¥168,491	¥277,631	¥365,355	¥214,382	8,857,113
							77,646,591
Less debt issue cost							493,338
							₱77,153,253

Interest Rate Risk Sensitivity Analysis. The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant of the Company's income before income tax.

	Increase (Decrease) in Basis Points	Effect on Income Before Income Tax
		(In Thousands)
2023	**100**	**(₱66,447)**
	50	**(33,223)**
	(100)	**66,447**
	(50)	**33,223**
2022	100	(₱34,942)
	50	(17,471)
	(100)	34,942
	(50)	17,471

Fixed rate debts, although subject to fair value interest rate risk, are not included in the sensitivity analysis as these are carried at amortized costs. The assumed movement in basis points for interest rate sensitivity analysis is based on currently observable market environment, showing a significantly higher volatility as in prior years.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company's policy is to manage its foreign currency risk mainly from its debt issuances which are denominated in U.S. dollars by entering into foreign currency swap contracts, cross currency swaps, principal only swaps and non-deliverable forwards aimed at reducing and/or managing the adverse impact of changes in foreign exchange rates on financial performance and cash flow.

The Company's foreign currency-denominated monetary net assets amounted to US$18 million (₱1,003 million) as at December 31, 2023 and US$19 million (₱1,034 million) as at December 31, 2022.

In translating the foreign currency-denominated monetary assets and liabilities to peso amounts, the exchange rates used were ₱55.37 to US$1.00 and ₱55.76 to US$1.00, the Philippine peso to U.S. dollar exchange rate as at December 31, 2023 and 2022, respectively.

Foreign Currency Risk Sensitivity Analysis. The following table demonstrates the sensitivity to a reasonably possible change in U.S. dollar to Philippine peso exchange rate with all other variables held constant, of the Company's income before income tax (due to changes in the fair value of monetary assets, including the impact of derivative instruments). There is no impact on the Company's equity.

	Appreciation (Depreciation) of $	Effect on Income Before Tax
		(In Thousands)
2023	**1.50**	**₱27,173**
	1.00	**18,115**
	(1.50)	**(₱27,173)**
	(1.00)	**(18,115)**

	Appreciation (Depreciation) of $	Effect on Income Before Tax
		(In Thousands)
2022	1.50	₱27,826
	1.00	18,550
	(1.50)	(₱27,826)
	(1.00)	(18,550)

Liquidity Risk

Liquidity risk arises from the possibility that the Company may encounter difficulties in raising funds to meet commitments from financial instruments or that a market for derivatives may not exist in some circumstance.

The Company seeks to manage its liquidity profile to be able to finance capital expenditures and service maturing debts. To cover its financing requirements, the Company intends to use internally generated funds and proceeds from debt and equity issues.

As part of its liquidity risk management program, the Company regularly evaluates its projected and actual cash flow information and continuously assesses conditions in the financial markets for opportunities to pursue fund-raising initiatives. These initiatives may include bank loans and debt capital and equity market issues.

The Company's financial assets, which have maturities of less than 12 months and used to meet its short-term liquidity needs, include cash and cash equivalents and equity instruments at FVOCI amounting to ₱31,817 million and ₱748 million, respectively, as at December 31, 2023 and ₱42,060 million and ₱535 million, respectively, as at December 31, 2022 (see Notes 6 and 9). The Company also has readily available credit facility with banks and affiliates to meet its long-term financial liabilities.

The tables below summarize the maturity profile of the Company's financial liabilities based on the contractual undiscounted payments as at December 31:

	2023			
	Within 1 Year	**More than 1 Year to 5 Years**	**More than 5 Years**	**Total**
		(In Thousands)		
Loans payable	**₱4,384,368**	**₱–**	**₱–**	**₱4,384,368**
Accounts payable and other current liabilities*	**83,479,886**	**–**	**–**	**83,479,886**
Long-term debt (including current portion and interest)	**109,537,322**	**301,795,119**	**34,890,709**	**446,223,150**
Derivative liabilities	**7,423**	**265,013**	**–**	**272,436**
Liability for purchased land - net of current portion	**–**	**539,959**	**–**	**539,959**
Tenants' deposits - net of current portion**	**–**	**24,736,578**	**269,391**	**25,005,969**
Lease liabilities	**874,205**	**3,539,853**	**27,505,845**	**31,919,903**
Other noncurrent liabilities***	**–**	**8,499,486**	**2,103,661**	**10,603,147**
	₱198,283,204	**₱339,376,008**	**₱64,769,606**	**₱602,428,818**

	2022			
	Within 1 Year	More than 1 Year to 5 Years	More than 5 Years	Total
	(In Thousands)			
Loans payable	₱5,493,870	₱–	₱–	₱5,493,870
Accounts payable and other current liabilities*	72,841,522	–	–	72,841,522
Long-term debt (including current portion and interest)	66,498,851	300,418,234	38,218,018	405,135,103
Derivative liabilities	19,496	294,403	–	313,899
Liability for purchased land - net of current portion	–	1,129,719	–	1,129,719
Tenants' deposits - net of current portion**	–	2,017,519	21,543,716	23,561,235
Lease liabilities	900,370	3,734,664	31,127,968	35,763,002
Other noncurrent liabilities***	–	1,744,519	4,604,226	6,348,745
	₱145,754,109	₱309,339,058	₱95,493,928	₱550,587,095

* *Excluding nonfinancial liabilities and lease liabilities amounting to ₱15,598 million and ₱15,281 million as at December 31, 2023 and 2022, respectively.*
** *Excluding residential customers' deposits amounting to ₱296 million and ₱238 million as at December 31, 2023 and 2022, respectively.*
*** *Excluding nonfinancial liabilities and lease liabilities amounting to ₱28,235million and ₱25,046 million as at December 31, 2023 and 2022, respectively.*

Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments (see Notes 6, 7, 9, 10 and 14).

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets. The fair values of these financial assets are disclosed in Note 27. For receivables from real estate sale, the title of the real estate property is only transferred to the customer if the consideration had been fully paid. In case of default, after enforcement activities, the Company has the right to cancel the sale and enter into another contract to sell to another customer after certain proceedings (e.g. grace period, referral to legal, cancellation process, reimbursement of previous payments) had been completed. Given this, based on the experience of the Company, the maximum exposure to credit risk at the reporting date is nil considering that fair value less cost to repossess of the real estate projects is higher than the exposure at default. The Company evaluates the concentration of risk with respect to trade receivables and unbilled revenue from sale of real estate as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets.

As at December 31, 2023 and 2022, the financial assets, except for certain receivables, are generally viewed by management as good and collectible considering the credit history of the counterparties (see Note 7). Past due or impaired financial assets are very minimal in relation to the Company's consolidated total financial assets.

Credit Quality of Financial Assets. The credit quality of financial assets is managed by the Company using high quality and standard quality as internal credit ratings.

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

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

As at December 31, 2023 and 2022, the credit quality of the Company's financial assets is as follows:

	2023			
	Neither Past Due nor Impaired			
	High Quality	**Standard Quality**	**Past Due**	**Total**
	(In Thousands)			
Financial assets at amortized cost				
Cash and cash equivalents*	**₱31,691,014**	**₱–**	**₱–**	**₱31,691,014**
Receivables**	**201,498**	**12,928,120**	**19,524,538**	**32,654,156**
Escrow and time deposits (included under "Other noncurrent assets")	**3,656,453**	**–**	**–**	**3,656,453**
Financial assets at FVTPL				
Derivative assets	**5,524,044**	**–**	**–**	**5,524,044**
Financial assets at FVOCI				
Equity instruments	**20,312,735**	**5,317**	**–**	**20,318,052**
	₱61,385,744	**₱12,933,437**	**₱19,524,538**	**₱93,843,719**

* *Excluding cash on hand amounting to ₱126 million*
** *Excluding nonfinancial assets amounting to ₱44,298 million*

	2022			
	Neither Past Due nor Impaired		Past Due but not Impaired	
	High Quality	Standard Quality		Total
	(In Thousands)			
Financial assets at amortized cost				
Cash and cash equivalents*	₱41,977,231	₱–	₱–	₱41,977,231
Receivables**	167,795	14,696,502	16,469,042	31,333,339
Cash in escrow (included under "Prepaid expenses and other current assets")	5,105,361	–	–	5,105,361
Financial assets at FVTPL				
Derivative assets	7,338,320	–	–	7,338,320
Financial assets at FVOCI				
Equity instruments	17,606,746	5,317	–	17,612,063
	₱72,195,453	₱14,701,819	₱16,469,042	₱103,366,314

* *Excluding cash on hand amounting to ₱83 million*
** *Excluding nonfinancial assets amounting to ₱51,227 million*

Equity Price Risk
Equity price risk arises from the changes in the levels of equity indices and the value of individual stocks traded in the stock exchange.

As a policy, management monitors its equity price risk pertaining to its investments in quoted equity securities which are classified as equity instruments designated at FVOCI in the consolidated balance sheets based on market expectations. Material equity investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by management.

The effect on equity after income tax (as a result of change in fair value of equity instruments at FVOCI as at December 31, 2023 and 2022) due to a possible change in equity indices, based on historical trend of PSE index, with all other variables held constant is as follows:

	2023	
	Change in Equity Price	**Effect on Equity**
		(In Millions)
Equity instruments at FVOCI	**+1.63%**	**₱298**
	-1.63%	**(298)**

	2022	
	Change in Equity Price	Effect on Equity
		(In Millions)
Equity instruments at FVOCI	+2.43%	₱397
	-2.43%	(397)

Capital Management

Capital includes equity attributable to the owners of the Parent.

The primary objective of the Company'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 Company manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, pay-off existing debts, return capital to shareholders or issue new shares.

The Company monitors capital using the gearing ratio below as at December 31:

Net Interest-bearing Debt to Total Capital plus Net Interest-bearing Debt

	2023	2022
	(In Thousands)	
Loans payable	**₱4,288,964**	₱5,422,524
Current portion of long-term debt	**67,746,351**	50,839,776
Long-term debt - net of current portion	**294,622,256**	296,134,836
Less cash and cash equivalents	**(31,816,802)**	(42,060,082)
Total net interest-bearing debt (a)	**334,840,769**	310,337,054
Total equity attributable to equity holders of the parent	**396,196,619**	363,201,490
Total net interest-bearing debt and equity attributable to equity holders of the parent (b)	**₱731,037,388**	₱673,538,544
Gearing ratio (a/b)	**46%**	46%

27. Financial Instruments

Fair Values

The following table sets forth the carrying values and estimated fair values of financial assets and liabilities and nonfinancial assets, by category and by class, other than those whose carrying values are reasonable approximations of fair values, as at December 31:

	December 31, 2023				
	Carrying Value	**Fair Value**	**Level 1**	**Level 2**	**Level 3**
			(In Thousands)		
Financial Assets					
Financial assets at FVTPL:					
Derivative assets	**₱5,524,044**	**₱5,524,044**	**₱–**	**₱5,524,044**	**₱–**
Financial assets at amortized cost:					
Escrow and time deposits (included under "Other noncurrent assets")	**3,656,453**	**3,694,879**	**–**	**3,694,879**	**–**
Financial assets at FVOCI:					
Equity instruments	**20,318,052**	**20,318,052**	**20,312,735**	**–**	**5,317**
Nonfinancial Assets* (see Note 12)	**545,074,746**	**2,091,266,866**	**–**	**–**	**2,091,266,866**
	₱574,573,295	**₱2,120,803,841**	**₱20,312,735**	**₱9,218,923**	**₱2,091,272,183**
Financial Liabilities					
Financial liabilities at FVTPL:					
Derivative liabilities	**₱272,436**	**₱272,436**	**₱–**	**₱272,436**	**₱–**
Loans and borrowings:					
Liability for purchased land - net of current portion	**539,959**	**514,635**	**–**	**–**	**514,635**
Long-term debt - net of current portion	**294,622,256**	**283,353,643**	**–**	**–**	**283,353,643**
Tenants' deposits - net of current portion**	**25,005,969**	**24,585,217**	**–**	**–**	**24,585,217**
Other noncurrent liabilities***	**10,603,148**	**10,482,842**	**–**	**–**	**10,482,842**
	₱331,043,768	**₱319,208,773**	**₱–**	**₱272,436**	**₱318,936,337**

**Consists of investment properties*
*** Excluding residential customers' deposits amounting to ₱296 million as at December 31, 2023.*
****Excluding lease liabilities and nonfinancial liabilities amounting to ₱28,235 million as at December 31, 2023.*

	December 31, 2022				
	Carrying Value	Fair Value	Level 1	Level 2	Level 3
			(In Thousands)		
Financial Assets					
Financial assets at FVTPL:					
Derivative assets	₱7,338,320	₱7,338,320	₱–	₱7,338,320	₱–
Financial assets at amortized cost:					
Time deposits (included under "Other noncurrent assets")	5,105,361	5,118,038	–	5,118,038	–
Financial assets at FVOCI:					
Equity instruments	17,612,063	17,612,063	17,606,746	–	5,317
Nonfinancial Assets* (see Note 12)	489,266,042	2,022,778,236	–	–	2,022,778,236
	₱519,321,786	₱2,052,846,657	₱17,606,746	₱12,456,358	₱2,022,783,553
Financial Liabilities					
Financial liabilities at FVTPL:					
Derivative liabilities	₱313,899	₱313,899	₱–	₱313,899	₱–
Loans and borrowings:					
Liability for purchased land - net of current portion	1,129,719	1,063,631	–	–	1,063,631
Long-term debt - net of current portion	296,134,836	279,936,370	–	–	279,936,370
Tenants' deposits - net of current portion**	23,561,234	22,780,505	–	–	22,780,505
Other noncurrent liabilities***	6,348,745	6,117,632	–	–	6,117,632
	₱327,488,433	₱310,212,037	₱–	₱313,899	₱309,898,138

**Consists of investment properties*
*** Excluding residential customers' deposits amounting to ₱238 million as at December 31, 2022.*
**** Excluding lease liabilities nonfinancial liabilities amounting to ₱25,046 million as at December 31, 2022.*

Fair Value Hierarchy

The Company uses the fair value hierarchy discussed in Note 3 for determining and disclosing the fair value of financial instruments.

During the years ended December 31, 2023 and 2022, there were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurements.

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

Derivative Instruments. The fair values are based on quotes obtained from counterparties.

Escrow and Time Deposits The fair values are based on the discounted value of future cash flows using the prevailing market rates.

Equity Instruments at FVOCI. The fair value of investments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business.

Long-term Debt. Fair value is based on the following:

Debt Type	Fair Value Assumptions
Fixed Rate Loans	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 is based on the prevailing market rate as at December 31, 2023 and 2022.
Variable Rate Loans	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 as at December 31, 2023 and 2022 up to the next repricing date. Discount rates used is based on the prevailing market rate.

Tenants' Deposits, Liability for Purchased Land and Other Noncurrent Liabilities. The estimated fair value is based on the discounted value of future cash flows using the applicable rates. The discount rates used range from 2.08% to 6.91% and 2.74% to 6.94% as at December 31, 2023 and 2022, respectively.

The Company assessed that the carrying values of cash and cash equivalents, receivables, bank loans and accounts payable and other current liabilities approximate their fair values due to the short-term nature and maturities of these financial instruments.

There were no financial instruments subject to an enforceable master netting arrangement that were not set-off in the consolidated balance sheets.

Nonfinancial Assets. The significant assumptions used in the most recent valuation as at December 31, 2021 are discount rates of 8.00% to 9.00% and average growth rate of 5.00%, respectively. Fair values based on market approach were assessed using sales comparison of similar asset. As at December 31, 2023 and 2022, management believes that the fair values from the most recent valuation did not change significantly and the carrying values of additions to investment properties subsequent to the most recent valuation date would approximate their fair values.

Derivative Instruments Accounted for as Cash Flow Hedges

As at December 31, 2023, details of outstanding arrangements to hedge both foreign currency and interest rate exposure on its foreign currency denominated debts as follow:

	December 31, 2023					
	Notional Amount	**Agreed Equivalent**	**Fair Value**	**Swap Rate**	**Interest Rate**	**Maturity**
		(In Thousands)				
Cross Currency Swaps	**$150,000**	**₱7,276,500**	**₱1,096,049**	**₱48.50-₱48.52**	**3.64%-3.70%**	**2024**
Cross Currency Swaps	**$286,000**	**¥1,919,208**	**962,344**	**¥6.69- ¥6.72**	**3.86%-3.97%**	**2024**
Principal Only Swaps	**$270,000**	**¥1,753,285**	**281,166**	**¥6.38-¥6.68**	**–**	**2026-2027**
Foreign Exchange Forward Swaps	**$800,000**	**₱44,725,405**	**108,802**	**₱53.94-₱60.39**	**–**	**2024-2026**
Interest Rate Swaps	**$670,000**	**–**	**2,803,247**	**–**	**2.28%-2.63%**	**2025-2026**
			₱5,251,608			

	December 31, 2022					
	Notional Amount	Agreed Equivalent	Fair Value	Swap Rate	Interest Rate	Maturity
		(In Thousands)				
Cross Currency Swaps	$260,000	₱13,142,200	₱1,644,111	₱48.50-₱53.33	3.64%-6.39%	2023-2024
Cross Currency Swaps	$286,000	¥1,919,208	568,337	¥6.69-¥6.72	3.86%-3.97%	2024
Principal Only Swaps	$270,000	¥1,753,285	(220,140)	¥6.38-¥6.68	–	2026-2027
Foreign Exchange Forward Swaps	$715,000	₱39,820,155	1,148,261	₱53.94-₱60.39	–	2023-2026
Interest Rate Swaps	$670,000	–	3,883,852	–	2.28%-2.63%	2025-2026
			₱7,024,421			

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

The net movements in fair value of all derivative instruments are as follows:

	December 31, 2023	December 31, 2022
	(In Thousands)	
Balance at beginning of period	**₱7,024,421**	(₱286,377)
Net changes in fair value during the period*	**(1,206,733)**	7,728,937
Fair value of settled derivatives	**(566,080)**	(418,139)
Balance at end of year	**₱5,251,608**	₱7,024,421

**Includes fair value changes recognized in the consolidated statement of income under "Others – net".*

28. **EPS Computation**

Basic/diluted EPS is computed as follows:

	2023	2022	2021
	(In Thousands, Except Per Share Data)		
Net income attributable to equity holders of the parent (a)	**₱40,010,501**	₱30,099,799	₱21,786,516
Common shares issued (see Note 18)	**33,166,300**	33,166,300	33,166,300
Less weighted average number treasury stock (see Note 18)	**4,309,888**	4,309,888	4,309,888
Weighted average number of common shares outstanding (b)	**28,856,412**	28,856,412	28,856,412
Earnings per share (a/b)	**₱1.387**	₱1.043	₱0.755

29. **Change in Liabilities Arising from Financing Activities**

Movements in loans payable, long-term debt and lease liabilities accounts are as follows (see Notes 15, 16 and 17):

	2023			2022		
	Loans Payable	**Long-term Debt**	**Lease Liabilities**	Loans Payable	Long-term Debt	Lease Liabilities
			(In Thousands)			
Balance at beginning of year	**₱5,422,524**	**₱346,974,612**	**₱13,473,170**	₱6,487,427	₱307,230,817	₱12,419,338
Availments/Additions	**28,516,941**	**83,045,972**	**–**	18,924,421	75,401,524	1,138,124
Payments	**(29,563,823)**	**(66,701,374)**	**(160,058)**	(19,994,859)	(43,863,022)	(84,292)
Cumulative translation adjustment	**(86,678)**	**(1,470,678)**	**–**	5,535	283,079	–
Foreign exchange movement	**–**	**520,075**	**–**	–	7,922,214	–
Balance at end of year	**₱4,288,964**	**₱362,368,607**	**₱13,313,112**	₱5,422,524	₱346,974,612	₱13,473,170

There are no non-cash changes in accrued interest and dividends payable.

SGV
Building a better working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph

INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
SM Prime Holdings, Inc.
7/F MOA Square
Seashell Lane cor. Coral Way
Mall of Asia Complex
Brgy. 76 Zone 10, CBP 1-A, Pasay City
Metro Manila, Philippines

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of SM Prime Holdings, Inc. and Subsidiaries (the Company) as at December 31, 2023, and for each of the three years in the period ended December 31, 2023, and have issued our report thereon dated February 19, 2024. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to the Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state, in all material respects, the financial information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Juan Miguel P. Machuca
Partner
CPA Certificate No. 116998
Tax Identification No. 226-074-253
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
BIR Accreditation No. 08-001998-140-2021, April 27, 2021, valid until April 26, 2024
PTR No. 10079963, January 6, 2024, Makati City

February 19, 2024

SM Prime Holdings, Inc. and Subsidiaries

INDEX TO THE SUPPLEMENTARY SCHEDULES

Annex A: Reconciliation of Retained Earnings Available for Dividend Declaration

Annex B: Supplementary Schedules Required by Annex 68-J

- Schedule A. Financial Assets
- Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related Parties)
- Schedule C. Amounts Receivable from Related Parties which are Eliminated During the Consolidation of Financial Statements
- Schedule D. Long-term Debt
- Schedule E. Indebtedness to Related Parties
- Schedule F. Guarantees of Securities of Other Issuers
- Schedule G. Capital Stock

Annex C: Map Showing the Relationships Between and Among the Company and its Ultimate Parent Company, Middle Parent, Subsidiaries or Co-subsidiaries, Associates, Wherever Located or Registered

ANNEX A

SM Prime Holdings, Inc.
7/F MOA Square, Seashell Lane cor. Coral Way,
Mall of Asia Complex, Brgy. 76 Zone 10, CBP 1-A, Pasay City 1300

Reconciliation of Retained Earnings Available for Dividend Declaration
December 31, 2023

Unappropriated retained earnings as at January 1, 2023		₱228,692,089,152
Adjustments for:		
Non-actual/unrealized income, net of applicable tax:		
Equity in net earnings of subsidiaries, associates and joint ventures	(₱127,873,418,771)	
Deferred tax assets	(1,563,277,508)	
Treasury stock	(2,613,650,429)	(132,050,346,708)
Unappropriated retained earnings as at January 1, 2023, available for dividend declaration		96,641,742,444
Net income closed to retained earnings in 2023	38,948,382,380	
Adjustments for:		
Non-actual/unrealized income, net of applicable tax:		
Movement in deferred assets	17,967,609	
Equity in net earnings of subsidiaries, associates and joint ventures	(13,213,805,907)	
Net income actually earned in 2023		25,752,544,082
Less: Cash dividends in 2023		(6,844,377,897)
Retained earnings as at December 31, 2023 available for dividend declaration		**₱115,549,908,629**

ANNEX B

SM Prime Holdings, Inc.
7/F MOA Square, Seashell Lane cor. Coral Way,
Mall of Asia Complex, Brgy. 76 Zone 10, CBP 1-A, Pasay City 1300

Supplementary Schedules As Required by SRC Rule 68, Annex 68-J
December 31, 2023

Schedule A: Financial Assets

Name of issuing Entity and association of each issue	Number of shares or principal bonds and notes	Amounts shown in the balance sheet	Income received and accrued
Financial Assets at Amortized Cost*			
Temporary investments:			
BDO Unibank, Inc. (BDO)	₱19,021,201	₱19,021,201	
China Banking Corporation (CHIB)	₱2,243,197	2,243,197	
Industrial and Commercial Bank of China (ICBC)	¥400	3,119	
China Industrial Bank	¥33,000	257,354	
Others	₱52,031	52,031	
Escrow and time deposits on hold (under Other Noncurrent Assets)			
ICBC	¥305,000	2,378,573	
BDO	₱551,324	551,324	
CHIB	₱726,556	726,556	
		₱25,233,355	₱1,496,896
Financial Assets at Fair Value through Profit or Loss			
Derivative assets	₱5,524,044	₱5,524,044	₱–
Financial Assets at Fair Value through Other Comprehensive Income			
BDO Unibank, Inc.	108,029,274 shares	₱14,097,820	
Ayala Corporation	7,690,430 shares	5,237,183	
Shang Properties, Inc.	189,550,548 shares	695,651	
SM Investments Corporation	146,104 shares	127,403	
ACEN Corporation	23,071,290 shares	101,052	
Republic Glass Holdings Corporation	14,230,000 shares	42,690	
Picop Resources, Inc.	40,000,00 shares	8,200	
Prime Media Holdings, Inc.	500,000 shares	1,435	
Benguet Corporation	266,757 shares	1,299	
Philippine National Bank	112 shares	2	
Others	8,082,270 shares	5,317	
		₱20,318,052	₱439,929

**excluding cash on hand and in banks*

ANNEX B

Schedule B. Amounts Receivables from Directors, Officers, Employees, and Principal Stockholders (Other than Related Parties) - Not Applicable

ANNEX B

Schedule C: Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements

(Amounts in Thousands)

Name and Designation of Debtor	Balance at Beginning of Period	Net movement	Amounts Written Off	Current	Not Current	Balance at End of Period
SM Land (China) Limited and Subsidiaries	₱2,285,125	₱1,578,419	₱–	₱3,863,544	₱–	**₱3,863,544**
San Lazaro Holdings Corporation	2,064,543	(699,681)	–	1,364,862	–	**1,364,862**
Costa del Hamilo, Inc. and Subsidiary	777,271	(8,469)	–	768,802	–	**768,802**
SM Development Corporation and Subsidiaries	691,778	42,015	–	733,793	–	**733,793**
Mindpro Incorporated	477,445	3,554	–	480,999	–	**480,999**
SM Prime Holdings, Inc.	349,854	(63,429)	–	286,425	–	**286,425**
Prime Commercial Property Management Corp. and Subsidiaries	275,854	724	–	276,578	–	**276,578**
Premier Clark Complex, Inc	134,141	36,159	–	170,300	–	**170,300**
Premier Central, Inc. and Subsidiary	183,096	(104,883)	–	78,213	–	**78,213**
SM Hotels and Conventions Corp. and Subsidiaries	14,822	42,657	–	57,479	–	**57,479**
SM Arena Complex Corporation	56,993	(6,448)	–	50,545	–	**50,545**
Associated Development Corporation	54,306	(5,996)	–	48,310	–	**48,310**
Southernpoint Properties Corp.	9,369	32,816	–	42,185	–	**42,185**
Tagaytay Resort and Development Corporation	36,603	–	–	36,603	–	**36,603**
First Asia Realty Development Corporation	58,542	(25,422)	–	33,120	–	**33,120**
Premier Southern Corp.	34,976	(6,038)	–	28,938	–	**28,938**
Consolidated Prime Dev Corp.	12,552	1,191	–	13,743	–	**13,743**
Highlands Prime, Inc.	1,119	12,136	–	13,255	–	**13,255**
MOA Esplanade Port Inc.	7,242	(1,161)	–	6,081	–	**6,081**
Prime Metroestate, Inc.	596	3,676	–	4,272	–	**4,272**
First Leisure Ventures Group Inc.	16,352	(12,631)	–	3,721	–	**3,721**
CHAS Realty and Development Corporation and Subsidiaries	364	3,354	–	3,718	–	**3,718**
SM Smart City Infrastructure and Development Corporation	9,091,202	(9,091,202)	–	–	–	**–**
	₱16,634,145	**(₱8,268,659)**	**₱–**	**₱8,365,486**	**₱–**	**₱8,365,486**

ANNEX B

Schedule D. Long Term Debt

This schedule has been omitted because the information required to be presented is included in the consolidated financial statements.

Schedule E. Indebtedness to Related Parties

Not Applicable

Schedule F. Guarantees of Securities of Other Issuers

Not Applicable

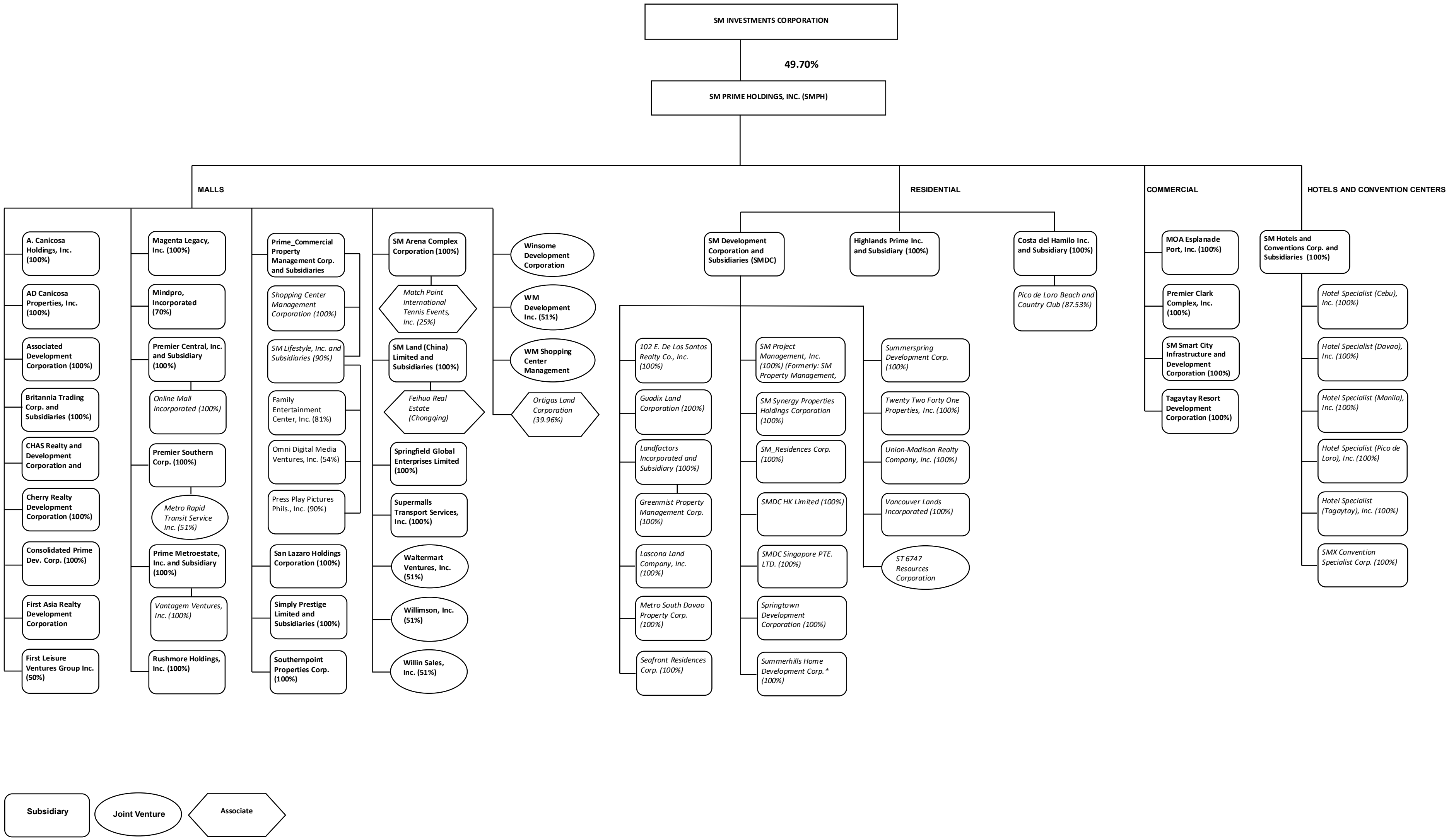
Schedule G. Capital Stock

(Shares in Thousand)

Title of Issue	Number of Shares Authorized	Number of Shares Issued as Shown Under Related Balance Sheet Caption	Number of Shares Outstanding as Shown Under Related Balance Sheet Caption	Number of Shares Held by Related Parties	Directors, Officers and Employees	Others
Common	40,000,000	33,166,300	28,856,411	15,838,582	2,976,102	10,041,727

SM PRIME HOLDINGS, INC. AND SUBSIDIARIES
MAP OF RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP
As of December 31, 2023

Annex C



** Summerhills Home Development Corp. is 79.6% owned by SMDC and 20.4% owned by SMPH*

Note: % Refers to Effective Ownership

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph

**INDEPENDENT AUDITOR'S REPORT ON
COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS**

The Stockholders and the Board of Directors
SM Prime Holdings, Inc.
7/F MOA Square
Seashell Lane cor. Coral Way
Mall of Asia Complex
Brgy. 76 Zone 10, CBP 1-A, Pasay City
Metro Manila, Philippines

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of SM Prime Holdings, Inc. and Subsidiaries (the Company) as at December 31, 2023 and for each of the three years in the period ended December 31, 2023, and have issued our report thereon dated February 19, 2024. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Company's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRSs) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission and is not a required part of the basic consolidated financial statements prepared in accordance with PFRSs. The components of these financial soundness indicators have been traced to the Company's consolidated financial statements as at December 31, 2023 and for each of the three years in the period ended December 31, 2023 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Juan Miguel P. Machuca

Juan Miguel P. Machuca
Partner
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Tax Identification No. 226-074-253
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PTR No. 10079963, January 6, 2024, Makati City

February 19, 2024

SM PRIME HOLDINGS, INC. AND SUBSIDIARIES

FINANCIAL RATIOS – KEY PERFORMANCE INDICATORS

AS OF DECEMBER 31, 2023 and DECEMBER 31, 2022

Ratio	Formula		December 31, 2023 (Audited)	December 31, 2022 (Audited)
		(In Thousands)		
Current Ratio	**Total Current Assets divided by Total Current Liabilities**		**1.26**	1.53
	Total current assets	₱217,455,628		
	Divide by: Total current liabilities	172,416,008		
	Current Ratio	1.26		
Acid Test Ratio	**Quick assets divided by Total Current Liabilities**		**0.64**	0.87
	Cash and cash equivalents	₱31,816,802		
	Receivables and contract assets	76,952,202		
	Equity instruments at fair value through other comprehensive income - current	747,840		
	Quick assets	109,516,844		
	Divide by: Total current liabilities	172,416,008		
	Acid test ratio	0.64		
Solvency Ratio	**Total Assets divided by Total Liabilities**		**1.73**	1.72
	Total assets	₱943,327,575		
	Divide by: Total Liabilities	544,440,539		
	Asset to liabilities ratio	1.73		
Debt-to-Equity Ratio	**Total Interest-Bearing Debt divided by Total Equity Attributable to the Equity Holders of the Parent and Total Interest-Bearing Debt**		**48:52**	49:51
	Loans Payable	₱4,288,964		
	Current portion of long-term debt	67,746,351		
	Long-term debt - net of current portion	294,622,256		
	Total interest-bearing debt (a)	366,657,571		
	Add: Total equity attributable to equity holders of the parent (b)	396,196,619		
	Total interest-bearing debt and equity attributable to equity holders of the parent (c)	762,854,190		
	Debt to equity ratio (a/c):(b/c)	48:52		

Ratio	Formula		December 31, 2023 (Audited)	December 31, 2022 (Audited)
		(In Thousands)		
Net Debt-to-Equity Ratio	**Total Interest-Bearing Debt less Cash and Cash Equivalents and Investment Securities divided by Total Equity Attributable to the Equity Holders of the Parent**		**46:54**	46:54
	Total interest-bearing debt	₱366,657,571		
	Less: Cash and cash equivalents	(31,816,802)		
	Total net interest-bearing debt (a)	334,840,769		
	Add: Total equity attributable to equity holders of the parent (b)	396,196,619		
	Total net interest-bearing debt and equity attributable to equity holders of the parent (c)	731,037,388		
	Net debt-to-equity ratio (a/c):(b/c)	46:54		
Asset to Equity Ratio	**Total assets divided by Total Equity Attributable to the Equity Holders of the Parent**		**2.38**	2.41
	Total assets	₱943,327,575		
	Divide by: Total equity attributable to equity holders of the parent	396,196,619		
	Asset to equity ratio	2.38		
Return on Equity	**Net Income divided by Average Total Equity Attributable to the Equity Holders of the Parent**		**11%**	9%
	Net income attributable to equity holders of the parent	₱40,010,501		
	Divide by: Average total equity attributable to equity holders of the parent	379,699,054		
	Return on Equity	11%		
Net Income Margin	**Net Income divided by Total Revenue**		**31%**	28%
	Net income attributable to equity holders of the parent	₱40,010,501		
	Divide by: Total revenue	128,097,541		
	Net Income Margin	31%		
Interest Rate Coverage Ratio	**Earnings Before Interest, Taxes and Depreciation and Amortization (EBITDA) divided by Total Interest Expense**		**5.31**	5.33
	Income from operations	₱61,279,241		
	Less: Net income attributable to non-controlling interest	(853,344)		
	Add: Depreciation and amortization	13,656,773		
	EBITDA	74,082,670		
	Divide by: Interest expense	13,963,271		
	Interest rate coverage ratio	5.31		

Ratio	Formula		December 31, 2023 (Audited)	December 31, 2022 (Audited)
		(In Thousands)		
Debt to EBITDA	**Total interest-bearing liabilities divided by EBITDA**		**4.95**	5.77
	Total interest-bearing liabilities	₱366,657,571		
	Divide by: EBITDA	74,082,670		
	Debt to EBITDA	4.95		
Return on Investment Properties	**Net Income divided by Average Investment Properties**		**9%**	7%
	Net income attributable to equity holders of the parent	₱40,010,501		
	Divide by: Total average investment properties (excluding construction in progress)	442,620,017		
	Return on Investment Properties	9%		

SM PRIME HOLDINGS, INC. AND SUBSIDIARIES
Retail Bond – Series P, Q and R Bonds
As of December 31, 2023

(1) Gross and Net Proceeds as Disclosed in the Final Offer Supplement

Gross Proceeds	₱30,000,000,000
Estimated Expenses	(333,150,000)
Net Proceeds	₱29,666,850,000

(2) Actual Gross and Net Proceeds

Gross Proceeds	₱30,000,000,000
Actual Expenses	(347,997,040)
Net Proceeds	₱29,652,002,960

(3) Each Expenditure Item where the Proceeds were Used

The net proceeds were used to refinance debt and to fund capital expenditures as follows:

Projects	Amounts in million
Debt Refinancing	
Retail bond Series J due on May 17, 2022	₱10,000
New Malls	
SM City Sto. Tomas	1,400
SM City La Union	452
SM City Bataan	401
SM City Laoag	305
SM City Zamboanga	126
Mall Expansions	
SM Mall of Asia Redevelopment Phase 6 and 7	1,588
SM City Cebu Northwing Expansion	1,058
SM Mall of Asia - MOA Square	489
SM City Pampanga Expansion	163
SM City Marilao Mall Expansion Phase 1 and 2	152
SM City Bacolod Redevelopment Phase 1A	71
SM Southmall Foodhall Redevelopment	47
SM City Tarlac Expansion Phase 1	46
SM City Dasmariñas Expansion	23
New BPO Towers	
SM City North EDSA Tower 2, 3 and 4	1,001
Hotels	
Lanson Place Manila	833
Residential Projects	
Sail	2,843
Style	1,283
South 2	1,194
Smile	833
Twin	616
Joy Phase 1	435
Cheer	229
Hope	183
Joy Phase 2	18
Landbank	
Luzon	2,442
Mindanao	1,127
Visayas	281
Metro Manila	13
TOTAL	**₱29,652**

(4) As of December 31, 2023, ₱29,652 million of the proceeds from retail bond was used to refinance long-term debt and to fund the construction of new malls, expansion of existing malls, BPO towers, offices, hotels, residential projects and acquisition of landbank.

SM PRIME HOLDINGS, INC. AND SUBSIDIARIES
Retail Bond – Series S, T and U Bonds
As of December 31, 2023

(1) Gross and Net Proceeds as Disclosed in the Final Offer Supplement

Gross Proceeds	₱35,000,000,000
Estimated Expenses	(393,640,756)
Net Proceeds	₱34,606,359,244

(2) Actual Gross and Net Proceeds

Gross Proceeds	₱33,300,000,000
Actual Expenses	(384,799,040)
Net Proceeds	₱32,915,200,960

(3) Each Expenditure Item where the Proceeds were Used

The net proceeds were used to finance capital expenditures of the following:

Projects	Amounts in million
Debt Refinancing	
Retail bond Series M due on August 5, 2023	₱7,500
Dollar Loan due on June 14, 2023	6,153
New Malls	
SM City Caloocan	1,384
SM Yulo	259
SM City J Mall	124
Mall Expansions	
SM City East Ortigas Expansion	758
SM City Bicutan Expansion	629
SM City Davao Expansion	586
New BPO Towers	
SM City Bacolod BPO Office	842
SM City Sta. Rosa The Core	454
SM City Iloilo Strata Tower 2	350
SM City Fairview BPO Office	347
Hotels and Convention Centers	
Cebu Convention	436
Landbank	
Visayas	7,040
Metro Manila	1,500
TOTAL	**₱28,362**

(4) As of December 31, 2023, ₱4,553 million of the proceeds from retail bond remained unused. These shall be used to finance the acquisition of landbank, expansion of existing malls and construction of new malls, BPO towers, offices, hotels and residential projects.

Control No.:
Form Type: *PHFS (rev 2006)*

SPECIAL FORM FOR FINANCIAL STATEMENTS OF PUBLICLY-HELD AND INVESTMENT COMPANIES

NAME OF CORPORATION: SM Prime Holdings, Inc. and Subsidiaries

CURRENT ADDRESS: 7/F MOA Square, Seashell Lane cor. Coral Way, Mall of Asia Complex, Brgy. 76 Zone 10, CBP 1-A, Pasay City, Metro Manila, Philippines

TEL. NO.: 8831-1000 **FAX NO.:**

COMPANY TYPE : Buying, selling, renting, leasing, operation of dwelling **PSIC:**

Table 1. Balance Sheet

FINANCIAL DATA	2023 (in P'000)	2022 (in P'000)
A. ASSETS (A.1 + A.2 + A.3 + A.4 + A.5 + A.6 + A.7 + A.8 + A.9 + A.10)	**943,327,575**	**874,214,652**
A.1 Current Assets (A.1.1 + A.1.2 + A.1.3 + A.1.4 + A.1.5)	217,455,628	222,008,236
A.1.1 Cash and cash equivalents (A.1.1.1 + A.1.1.2 + A.1.1.3)	31,816,802	42,060,082
A.1.1.1 On hand	125,788	82,851
A.1.1.2 In domestic banks/entities	24,502,798	34,773,458
A.1.1.3 In foreign banks/entities	7,188,216	7,203,773
A.1.2 Trade and Other Receivables (A.1.2.1 + A.1.2.2)	76,952,202	82,560,354
A.1.2.1 Due from domestic entities (A.1.2.1.1 + A.1.2.1.2 + A.1.2.1.3 + A.1.2.1.4)	76,952,202	82,560,354
A.1.2.1.1 Due from customers (trade)	70,930,088	75,292,863
A.1.2.1.2 Due from related parties - trade activities	3,471,144	3,427,264
A.1.2.1.3 Others, specify (A.1.2.1.3.1 + A.1.2.1.3.2)	3,328,348	4,561,709
A.1.2.1.3.1 Due from related parties - non-trade activities	-	-
A.1.2.1.3.2 Other receivables	3,328,348	4,561,709
A.1.2.1.4 Allowance for doubtful accounts (negative entry)	(777,378)	(721,482)
A.1.2.2 Due from foreign entities (A.1.2.2.1 + A.1.2.2.2 + A.1.2.2.3 + A.1.2.2.4)	-	-
A.1.2.2.1 None	-	-
A.1.2.2.2 None	-	-
A.1.2.2.3 None	-	-
A.1.2.2.4 Allowance for doubtful accounts (negative entry)	-	-
A.1.3 Inventories (A.1.3.1 + A.1.3.2 + A.1.3.3 + A.1.3.4 + A.1.3.5 + A.1.3.6)	77,886,781	70,500,025
A.1.3.1 Raw materials and supplies	-	-
A.1.3.2 Goods in process (including unfinished goods, growing crops, unfinished seeds)	-	-
A.1.3.3 Finished goods	-	-
A.1.3.4 Merchandise/Goods in transit	-	-
A.1.3.5 Unbilled Services (in case of service providers)	-	-
A.1.3.6 Real Estate Inventories (A.1.3.6.1 + A.1.3.6.2)	77,886,781	70,500,025
A.1.3.6.1 Condominium, residential units and subdivision lots for sale	25,128,444	26,719,164
A.1.3.6.2 Land and development - current portion	52,758,337	43,780,861
A.1.4 Financial Assets other than Cash/Receivables/Equity investments	747,840	534,865
A.1.4.1 Financial Assets at Fair Value through Profit or Loss - issued by domestic entities (A.1.4.1.1 + A.1.4.1.2 + A.1.4.1.3 + A.1.4.1.4 + A.1.4.1.5)	-	-
A.1.4.1.1 National Government	-	-
A.1.4.1.2 Public Financial Institutions	-	-
A.1.4.1.3 Public Non-Financial Institutions	-	-
A.1.4.1.4 Private Financial Institutions	-	-
A.1.4.1.5 Private Non-Financial Institutions	-	-
A.1.4.2 Held to Maturity Investments - issued by domestic entities (A.1.4.2.1 + A.1.4.2.2 + A.1.4.2.3 + A.1.4.2.4 + A.1.4.2.5)	-	-
A.1.4.2.1 National Government	-	-
A.1.4.2.2 Public Financial Institutions	-	-
A.1.4.2.3 Public Non-Financial Institutions	-	-
A.1.4.2.4 Private Financial Institutions	-	-
A.1.4.2.5 Private Non-Financial Institutions	-	-

NOTE:

This special form is applicable to Investment Companies and Publicly-held Companies (enumerated in Section 17.2 of the Securities Regulation Code (SRC), except banks and insurance companies). As a supplemental form to PHFS, it shall be used for reporting Consolidated Financial Statements of Parent corporations and their subsidiaries.

Domestic corporations are those which are incorporated under Philippine laws or branches/subsidiaries of foreign corporations that are licensed to do business in the Philippines where the center of economic interest or activity is within the Philippines. On the other hand, foreign corporations are those that are incorporated abroad, including branches of Philippine corporations operating abroad.

Financial Institutions are corporations principally engaged in financial intermediation, facilitating financial intermediation, or auxiliary financial services. Non-Financial institutions refer to corporations that are primarily engaged in the production of market goods and non-financial services.

Control No.:	
Form Type:	PHFS (rev 2006)

SPECIAL FORM FOR FINANCIAL STATEMENTS OF PUBLICLY-HELD AND INVESTMENT COMPANIES

NAME OF CORPORATION: SM Prime Holdings, Inc. and Subsidiaries

CURRENT ADDRESS: 7/F MOA Square, Seashell Lane cor. Coral Way, Mall of Asia Complex, Brgy. 76 Zone 10, CBP 1-A, Pasay City, Metro Manila, Philippines

TEL. NO.: 8831-1000 **FAX NO.:**

COMPANY TYPE : Buying, selling, renting, leasing, operation of dwelling **PSIC:**

Table 1. Balance Sheet

FINANCIAL DATA	2023 (in P'000)	2022 (in P'000)
A.1.4.3 Loans and Receivables - issued by domestic entities (A.1.4.3.1 + A.1.4.3.2 + A.1.4.3.3 + A.1.4.3.4 + A.1.4.3.5)	-	-
A.1.4.3.1 National Government	-	-
A.1.4.3.2 Public Financial Institutions	-	-
A.1.4.3.3 Public Non-Financial Institutions	-	-
A.1.4.3.4 Private Financial Institutions	-	-
A.1.4.3.5 Private Non-Financial Institutions	-	-
A.1.4.4 Equity instruments at fair value through other comprehensive income (FVOCI) - issued by domestic entities (A.1.4.4.1 + A.1.4.4.2 + A.1.4.4.3 + A.1.4.4.4 + A.1.4.4.5)	747,840	534,865
A.1.4.4.1 National Government	-	-
A.1.4.4.2 Public Financial Institutions	-	-
A.1.4.4.3 Public Non-Financial Institutions	747,840	534,865
A.1.4.4.4 Private Financial Institutions	-	-
A.1.4.4.5 Private Non-Financial Institutions	-	-
A.1.4.5 Financial Assets issued by foreign entities: (A.1.4.5.1+A.1.4.5.2+A.1.4.5.3+A.1.4.5.4)	-	-
A.1.4.5.1 Financial Assets at fair value through profit or loss	-	-
A.1.4.5.2 Held-to-maturity investments	-	-
A.1.4.5.3 Loans and Receivables	-	-
A.1.4.5.4 Available-for-sale financial assets	-	-
A.1.4.6 Allowance for decline in market value (negative entry)	-	-
A.1.5 Other Current Assets (state separately material items) (A.1.5.1 + A.1.5.2)	30,052,003	26,352,910
A.1.5.1 Prepaid expenses and other current assets	27,804,930	25,767,334
A.1.5.2 Derivative assets	2,247,073	585,576
A.2 Property and equipment (A.2.1 + A.2.2 + A.2.3 + A.2.4 + A.2.5 + A.2.6)	1,554,990	1,399,840
A.2.1 Buildings, Land and Leasehold Improvements	2,595,796	2,427,006
A.2.2 Furniture, Fixtures and Other Equipment	1,543,091	1,390,125
A.2.3 Others, specify	-	7,454
A.2.3.1 Right-of-use assets - office spaces	-	7,454
A.2.4 Appraisal increase, specify		
A.2.5 Accumulated Depreciation (negative entry)	(2,583,897)	(2,424,745)
A.2.6 Impairment Loss or Reversal (if loss, negative entry)		
A.3 Investments accounted for using the equity method (A.3.1 + A.3.2 + A.3.3)	32,431,195	30,578,320
A.3.1 Investments in associate companies and joint ventures	32,431,195	30,578,320
A.3.2 Equity in foreign branches/subsidiaries/affiliates	-	-
A.3.3 Others, specify	-	-
A.4 Investment Properties (A.4.1 + A.4.2 + A.4.3 + A.4.4 + A.4.5 + A.4.6)	545,074,746	489,266,042
A.4.1 Land, Building and Leasehold Improvements	501,242,440	458,285,480
A.4.2 Building equipment, furniture and others	61,093,358	56,235,369
A.4.3 Right-of-use asset - land	33,416,089	28,168,127
A.4.4 Construction in progress	82,002,808	67,097,946
A.4.5 Appraisal increase, specify	-	-
A.4.6 Accumulated Depreciation (negative entry)	(132,679,949)	(120,520,880)
A.5 Biological Assets	-	-
A.6 Intangible Assets	-	-
A.6.1 Major item/s, specify	-	-
A.6.2 Others, specify	-	-
A.7 Assets Classified as Held for Sale	-	-
A.8 Assets included in Disposal Groups Classified as Held for Sale	-	-

Control No.:
Form Type: PHFS (rev 2006)

SPECIAL FORM FOR CONSOLIDATED FINANCIAL STATEMENTS OF PUBLICLY-HELD AND INVESTMENT COMPANIES

NAME OF CORPORATION: SM Prime Holdings, Inc. and Subsidiaries

CURRENT ADDRESS: 7/F MOA Square, Seashell Lane cor. Coral Way, Mall of Asia Complex, Brgy. 76 Zone 10, CBP 1-A, Pasay City, Metro Manila, Philippines

TEL. NO.: 8831-1000 **FAX NO.:**

COMPANY TYPE : Buying, selling, renting, leasing, leasing, operation of dwelling **PSIC:**

Table 1. Balance Sheet

FINANCIAL DATA	2023 (in P'000)	2022 (in P'000)
A.9 Long-term receivables (net of current portion) (A.9.1 + A.9.2 + A.9.3)	-	-
A.9.1 From domestic entities, specify	-	-
A.9.2 From foreign entities, specify	-	-
A.9.3 Allowance for doubtful accounts, net of current portion (negative entry)	-	-
A.10 Other Assets (A.10.1 + A.10.2 + A.10.3 + A.10.4 + A.10.5)	146,811,016	130,962,214
A.10.1 Deferred charges - net of amortization	-	-
A.10.2 Deferred Income Tax	1,492,359	931,366
A.10.3 Advance/Miscellaneous deposits	-	-
A.10.4 Others, specify (A.10.4.1 + A.10.4.2 + A.10.4.3)	145,318,657	130,030,848
A.10.4.1 Equity instruments at FVOCI - net of current portion	19,570,212	17,077,198
A.10.4.2 Derivative assets - net of current portion	3,276,971	6,752,744
A.10.4.3 Other noncurrent assets	122,471,474	106,200,906
A.10.4.3.1 Receivables from real estate - net of current portion	70,600,303	48,929,523
A.10.4.3.2 Bonds and deposits	46,894,238	50,541,286
A.10.4.3.3 Escrow and time deposits	3,656,453	5,105,361
A.10.4.3.4 Deferred Input Tax	779,864	1,069,739
A.10.4.3.5 Others	540,616	554,997
A.10.5 Allowance for write-down of deferred charges/bad accounts (negative entry)	-	-
B. LIABILITIES (B.1 + B.2 + B.3 + B.4 + B.5)	**544,440,539**	**509,063,046**
B.1 Current Liabilities (B.1.1 + B.1.2 + B.1.3 + B.1.4 + B.1.5 + B.1.6 + B.1.7)	172,416,008	145,170,302
B.1.1 Trade and Other Payables to Domestic Entities (B.1.1.1 + B.1.1.2 + B.1.1.3 + B.1.1.4 + B.1.1.5 + B.1.1.6)	103,373,815	93,564,617
B.1.1.1 Loans Payables	4,288,964	5,422,524
B.1.1.2 Trade Payables	60,851,227	50,177,665
B.1.1.3 Payables to Related Parties	205,653	166,076
B.1.1.4 Advances from Directors, Officers, Employees and Principal Stockholders	-	-
B.1.1.5 Accruals, specify material items (B.1.1.5.1 + B.1.1.5.2)	9,260,883	8,684,291
B.1.1.5.1 Accrued operating expenses	6,433,782	6,038,190
B.1.1.5.2 Accrued interest	2,827,101	2,646,101
B.1.1.6 Others, specify (B.1.1.6.1 + B.1.1.6.2 + B.1.1.6.3 + B.1.1.6.4 + B.1.1.6.5 +	28,767,088	29,114,061
B.1.1.6.1 Tenants' and Customer's deposits	14,376,712	13,256,842
B.1.1.6.2 Retention payable	5,065,905	5,040,755
B.1.1.6.3 Liability for purchased land	4,502,476	4,548,755
B.1.1.6.4 Nontrade and other payables	3,391,286	4,293,466
B.1.1.6.5 Payable to government agencies including deferred output VAT	1,423,286	1,954,747
B.1.1.6.6 Derivative liabilities	7,423	19,496
B.1.2 Trade and Other Payables to Foreign Entities, specify	-	-
B.1.3 Provisions	-	-
B.1.4 Financial Liabilities (excluding Trade and Other Payables and Provisions)	-	-
B.1.5 Liabilities for Current Tax	1,295,842	765,909
B.1.6 Deferred Tax Liabilities	-	-
B.1.7 Others, specify (If material, state separately; indicate if the item is payable to public/private or financial/non-financial institutions) (B.1.7.1 + B.1.7.2 + B.1.7.3 + B.1.7.4 + B.1.7.5 +	67,746,351	50,839,776
B.1.7.1 Dividends declared and not paid at balance sheet date	-	-
B.1.7.2 Acceptances Payable	-	-
B.1.7.3 Liabilities under Trust Receipts	-	-
B.1.7.4 Portion of Long-term Debt Due within one year	67,746,351	50,839,776
B.1.7.4.1 Domestic Public Financial Institutions	4,945,370	8,950,944
B.1.7.4.2 Domestic Public Non-Financial Institutions	-	-
B.1.7.4.3 Domestic Private Financial Institutions	36,492,061	35,442,295
B.1.7.4.4 Domestic Private Non-Financial Institutions	-	-
B.1.7.4.5 Foreign Financial Institutions	26,308,920	6,446,537
B.1.7.5 Deferred Income	-	-
B.1.7.6 Any other current liability in excess of 5% of Total Current Liabiilities, specify:	-	-

Control No.:
Form Type: PHFS (rev 2006)

SPECIAL FORM FOR FINANCIAL STATEMENTS OF PUBLICLY-HELD AND INVESTMENT COMPANIES

NAME OF CORPORATION: SM Prime Holdings, Inc. and Subsidiaries

CURRENT ADDRESS: 7/F MOA Square, Seashell Lane cor. Coral Way, Mall of Asia Complex, Brgy. 76 Zone 10, CBP 1-A, Pasay City, Metro Manila, Philippines

TEL. NO.: 8831-1000 FAX NO.:

COMPANY TYPE : Buying, selling, renting, leasing, leasing, operation of dwelling PSIC:

Table 1. Balance Sheet

FINANCIAL DATA		2023 (in P'000)	2022 (in P'000)
B.2 Long-term Debt - Non-current Interest-bearing Liabilities (B.2.1 + B.2.2 + B.2.3 + B.2.4 + B.2.5)		294,622,256	296,134,836
B.2.1 Domestic Public Financial Institutions		33,370,785	26,399,508
B.2.2 Domestic Public Non-Financial Institutions		-	-
B.2.3 Domestic Private Financial Institutions		193,213,727	176,407,237
B.2.4 Domestic Private Non-Financial Institutions		-	-
B.2.5 Foreign Financial Institutions		68,037,744	93,328,091
B.3 Indebtedness to Affiliates and Related Parties (Non-Current)		-	-
B.4 Liabilities Included in the Disposal Groups Classified as Held for Sale		-	-
B.5 Other Liabilities (B.5.1 + B.5.2)		77,402,275	67,757,908
B.5.1 Deferred Tax		12,458,096	11,140,040
B.5.2 Others, specify (B.5.2.1 + B.5.2.2 + B.5.2.3 + B.5.2.4 + B.5.2.5+ B.5.2.6 + B.5.2.7)		64,944,179	56,617,868
B.5.2.1 Derivative liabilities - net of current portion		265,013	294,403
B.5.2.2 Tenants' and customers' deposits - net of current portion		25,301,504	23,799,162
B.5.2.3 Liability for purchased land - net of current portion		539,959	1,129,719
B.5.2.4 Lease liabilities - net of current portion		13,180,998	13,342,374
B.5.2.5 Deferred output VAT - net of current portion		13,843,073	10,572,266
B.5.2.6 Retention payable - net of current portion		3,768,167	2,165,518
B.5.2.7 Other noncurrent liabilities		8,045,465	5,314,426
C. EQUITY (C.3 + C.4 + C.5 + C.6 + C.7 + C.8 + C.9 + C.10)		**398,887,036**	**365,151,606**
C.1 Authorized Capital Stock (no. of shares, par value and total value; show details)		40,000,000	40,000,000
C.1.1 Common shares	**40,000,000,000 authorized shares with Php1.00 par value; Php40,000,000,000**	40,000,000	40,000,000
C.1.2 Preferred Shares		-	-
C.1.3 Others		-	-
C.2 Subscribed Capital Stock (no. of shares, par value and total value) (C.2.1 + C.2.2 + C.2.3)		33,166,300	33,166,300
C.2.1 Common shares	**33,166,300,075 subscribed shares with Php1.00 par value; Php33,166,300,075**	33,166,300	33,166,300
C.2.2 Preferred Shares		-	-
C.2.3 Others		-	-
C.3 Paid-up Capital Stock (C.3.1 + C.3.2)		33,166,300	33,166,300
C.3.1 Common shares	**33,166,300,075 shares with Php1.00 par value; Php33,166,300,075**	33,166,300	33,166,300
C.3.2 Preferred Shares		-	-
C.4 Additional Paid-in Capital / Capital in excess of par value / Paid-in Surplus		38,159,900	38,124,193
C.5 Minority Interest		2,690,417	1,950,116
C.6 Others, specify (C.6.1 + C.6.2 + C.6.3 + C.6.4)		19,511,299	19,723,408
C.6.1 Net unrealized gain on equity instruments at FVOCI		16,938,503	14,232,514
C.6.2 Net fair value changes on cash flow hedges		1,079,094	2,984,605
C.6.3 Cumulative translation adjustment		2,556,139	3,435,171
C.6.4 Remeasurement loss on defined benefit obligation		(1,062,437)	(928,882)
C.7 Appraisal Surplus/Revaluation Increment in Property/Revaluation Surplus		-	-
C.8 Retained Earnings (C.8.1 + C.8.2)		308,343,815	275,172,284
C.8.1 Appropriated		42,200,000	42,200,000
C.8.2 Unappropriated		266,143,815	232,972,284
C.9 Head / Home Office Account (for Foreign Branches only)		-	-
C.10 Cost of Stocks Held in Treasury (negative entry)		(2,984,695)	(2,984,695)
TOTAL LIABILITIES AND EQUITY (B + C)		**943,327,575**	**874,214,652**

Control No.:	
Form Type:	*PHFS (rev 2006)*

SPECIAL FORM FOR FINANCIAL STATEMENTS OF PUBLICLY-HELD AND INVESTMENT COMPANIES

NAME OF CORPORATION: **SM Prime Holdings, Inc. and Subsidiaries**

CURRENT ADDRESS: **7/F MOA Square, Seashell Lane cor. Coral Way, Mall of Asia Complex, Brgy. 76 Zone 10, CBP 1-A, Pasay City, Metro Manila, Philippines**

TEL. NO.: **8831-1000** **FAX NO.:**

COMPANY TYPE : **Buying, selling, renting, leasing, leasing, operation of dwelling** **PSIC:**

Table 2. Income Statement

FINANCIAL DATA	2023 (in P'000)	2022 (in P'000)	2021 (in P'000)
A. REVENUE / INCOME (A.1 + A.2 + A.3 + A.4)	**132,297,168**	**109,175,790**	**86,992,074**
A.1 Net Sales or Revenue / Receipts from Operations (manufacturing,	114,154,366	97,290,427	79,810,305
A.2 Share in the Profit or Loss of Associates and Joint Ventures accounted for	2,162,611	1,720,116	1,187,419
A.3 Other Revenue (A.3.1 + A.3.2 + A.3.3 + A.3.4 + A.3.5)	13,943,175	8,495,208	2,505,179
A.3.1 Rental Income from Land and Buildings	-	-	-
A.3.2 Receipts from Sale of Merchandise (trading) (from Secondary Activity)	-	-	-
A.3.3 Sale of Real Estate or other Property and Equipment	-	-	-
A.3.4 Royalties, Franchise Fees, Copyrights (books, films, records, etc.)	-	-	-
A.3.5 Others, specify (A.3.5.1 + A.3.5.2 + A.3.5.3 + A.3.5.4 + A.3.5.5 + A.3.5.6 + A.3.5.7)	13,943,175	8,495,208	2,505,179
A.3.5.1 Cinema and event ticket sales	4,020,155	2,689,404	56,868
A.3.5.2 Merchandise sales	3,263,194	564,978	193,278
A.3.5.3 Food and beverages	2,339,039	1,786,358	611,751
A.3.5.4 Amusement and others	1,337,200	1,093,416	226,423
A.3.5.5 Bowling and ice skating fees	407,118	335,452	29,301
A.3.5.6 Advertising income	190,557	99,912	87,155
A.3.5.7 Other revenue	2,385,912	1,925,688	1,300,403
A.4 Other Income (non-operating) (A.4.1 + A.4.2 + A.4.3 + A.4.4)	2,037,016	1,670,039	3,489,171
A.4.1 Interest income	1,745,227	1,319,338	839,267
A.4.2 Dividend Income	439,929	456,402	185,799
A.4.3 Gain / (**Loss**) from disposal of property and equipment and investment properties	(148,140)	(105,701)	551,974
A.4.3.1 Disposal of property and equipment and investment propertie	(148,140)	(105,701)	551,974
A.4.4 Others, specify	-	-	1,912,131
A.4.4.1 Other income - net of other expenses	-	-	1,912,131
B. COST OF GOODS SOLD (B.1 + B.2 + B.3)	-	-	-
B.1 Cost of Goods Manufactured (B.1.1 + B.1.2 + B.1.3 + B.1.4 + B.1.5)	-	-	-
B.1.1 Direct Material Used	-	-	-
B.1.2 Direct Labor	-	-	-
B.1.3 Other Manufacturing Cost / Overhead	-	-	-
B.1.4 Goods in Process, Beginning	-	-	-
B.1.5 Goods in Process, End (**negative entry**)	-	-	-
B.2 Finished Goods, Beginning	-	-	-
B.3 Finished Goods, End (**negative entry**)	-	-	-
C. COST OF REAL ESTATE SALES (C.1 + C.2 + C.3 + C.4)	16,660,910	16,898,568	18,686,708
C.1 Development Costs	22,141,007	27,956,439	25,415,208
C.2 Real Estate Inventory, Beginning	70,500,025	56,575,047	43,691,877
C.3 Real Estate Inventory, End (**negative entry**)	(77,886,781)	(70,500,025)	(56,575,047)
C.4 Reclassifications, translation adjustment and others	1,906,659	2,867,107	6,154,670
D. GROSS PROFIT (A - B - C)	**115,636,258**	**92,277,222**	**68,305,366**

NOTE: Pursuant to SRC Rule 68.1 (as amended in Nov. 2005), for fiscal years ending December 31, 2005 up to November 30, 2006, a comparative format of only two (2) years may be filed to give temporary relief for covered companies as the more complex PFRSs will be applied for the first time in these year end periods. After these first time applications, the requirement of three (3) year comparatives shall resume for year end reports beginning December 31, 2006 and onwards.

Control No.:	
Form Type:	*PHFS (rev 2006)*

SPECIAL FORM FOR FINANCIAL STATEMENTS OF PUBLICLY-HELD AND INVESTMENT COMPANIES

NAME OF CORPORATION: SM Prime Holdings, Inc. and Subsidiaries

CURRENT ADDRESS: 7/F MOA Square, Seashell Lane cor. Coral Way, Mall of Asia Complex, Brgy. 76 Zone 10, CBP 1-A, Pasay City, Metro Manila, Philippines

TEL. NO.: 8831-1000 **FAX NO.:**

COMPANY TYPE : Buying, selling, renting, leasing, leasing, operation of dwelling **PSIC:**

Table 2. Income Statement

FINANCIAL DATA	2023 (in P'000)	2022 (in P'000)	2021 (in P'000)
E. OPERATING EXPENSES (E.1 + E.2 + E.3 + E.4)	**51,833,168**	**42,097,431**	**31,214,225**
E.1 Selling and Marketing Expenses	7,056,076	5,438,162	5,445,482
E.2 Administrative Expenses	17,450,432	12,423,180	7,967,372
E.3 General Expenses	-	-	-
E.4 Other Expenses, specify (E.4.1 + E.4.2 + E.4.3 + E.4.4 + E.4.5 + E.4.6 + E.4.7)	27,326,660	24,236,089	17,801,371
E.4.1 Depreciation and amortization	13,656,773	12,487,762	10,816,869
E.4.2 Business taxes and licenses	5,303,596	4,658,425	5,141,919
E.4.3 Film rentals	2,036,632	1,399,271	20,539
E.4.4 Rent	1,324,430	1,130,559	581,803
E.4.5 Insurance	634,148	541,200	497,387
E.4.6 Other operating costs and expenses	2,695,303	1,565,195	742,854
E.4.7 Other expenses - net of other income	1,675,778	2,453,677	-
F. FINANCE COSTS (F.1 + F.2 + F.3 + F.4 + F.5)	**13,963,271**	**11,465,787**	**9,357,616**
F.1 Interest on long-term debt	12,988,734	11,288,049	9,147,532
F.2 Interest on loans payable	257,559	159,904	176,792
F.3 Interest on mortgages and other long-term loans	-	-	-
F.4 Amortization	-	-	-
F.5 Other interests, specify	716,978	17,834	33,292
F.5.1 Receivable financing	716,978	17,834	33,292
G. NET INCOME (LOSS) BEFORE TAX (D - E - F)	**49,839,819**	**38,714,004**	**27,733,525**
H. INCOME TAX EXPENSE (negative entry)	**(8,975,974)**	**(7,970,875)**	**(5,822,122)**
I. INCOME(LOSS) AFTER TAX	**40,863,845**	**30,743,129**	**21,911,403**
J. Amount of (i) Post-Tax Profit or Loss of Discontinued Operations; and (ii) Post-Tax Gain or Loss Recognized on theMeasurement of Fair Value less Cost to Sell or on the Disposal of the Assets or Disposal Group(s) constituting the Discontinued Operation (if any)	**-**	**-**	**-**
K. PROFIT OR LOSS ATTRIBUTABLE TO MINORITY INTEREST	**853,344**	**643,330**	**124,887**
L PROFIT OR LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	**40,010,501**	**30,099,799**	**21,786,516**
M. EARNINGS (LOSS) PER SHARE			
M.1 Basic	1.387	1.043	0.755
M.2 Diluted	1.387	1.043	0.755

Control No.:
Form Type: PHFS (rev 2006)

SPECIAL FORM FOR FINANCIAL STATEMENTS OF PUBLICLY-HELD AND INVESTMENT COMPANIES

NAME OF: SM Prime Holdings, Inc. and Subsidiaries

CURRENT ADDRESS: 7/F MOA Square, Seashell Lane cor. Coral Way, Mall of Asia Complex, Brgy. 76 Zone 10, CBP 1-A, Pasay City, Metro Manila, Philippines

TEL. NO.: 8831-1000 FAX NO.:

COMPANY TYPE: Buying, selling, renting, leasing, leasing, operation of dwelling PSIC:

Table 3. Cash Flow Statements

FINANCIAL DATA	2023 (in P'000)	2022 (in P'000)	2021 (in P'000)
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Income (Loss) Before Tax and Extraordinary Items	49,839,819	38,714,004	27,733,525
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities			
Depreciation and amortization	13,656,773	12,487,762	10,816,869
Interest and dividend income	(2,185,156)	(1,775,740)	(1,025,066)
Interest expense	13,963,271	11,465,787	9,357,616
Unrealized foreign exchange loss (gain) and fair value changes of derivatives - net	76,370	826,855	(623,782)
Equity in net earnings of associates and joint ventures	(2,162,611)	(1,720,116)	(1,187,419)
Effect of exchange rate changes on cash and cash equivalents	43,039	(90,424)	(62,790)
Loss (gain) on disposal of property and equipment and investment properties	148,140	105,701	(551,974)
Income tax paid	(7,665,012)	(6,583,777)	(3,232,110)
Changes in Assets and Liabilities:			
Increase in:			
Receivables and contract assets	(16,337,056)	(8,760,236)	(16,304,309)
Prepaid expenses and other current assets	(2,068,144)	(762,618)	(1,639,817)
Real estate inventories	(5,437,721)	(12,462,748)	(4,696,521)
Increase (Decrease) in:			
Accounts payable and other liabilities	18,539,236	1,070,155	12,048,707
Tenants' and customers' deposits	1,573,478	2,328,183	(28,558)
A. Net Cash Provided by Operating Activities (sum of above rows)	**61,984,426**	**34,842,788**	**30,604,371**
CASH FLOWS FROM INVESTING ACTIVITIES			
Increase in other noncurrent assets	(5,338,058)	(15,159,670)	(6,044,976)
Additions to Investment Properties	(63,772,055)	(38,766,369)	(39,294,964)
Additions to Property and Equipment	(341,106)	(198,012)	(168,077)
Others, specify: Interest received	1,922,233	1,197,311	648,143
Dividends received	724,446	596,672	292,898
Proceeds from disposal of property and equipment and investment properties	90,067	85,767	453,298
B. Net Cash Used in Investing Activities (sum of above rows)	**(66,714,473)**	**(52,244,301)**	**(44,113,678)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from:			
Loans and Long-term Debt	111,562,913	94,325,945	86,849,381
Maturity of derivatives - net	294,800	3,274,591	-
Payments of:			
Bank Loans	(29,563,823)	(19,994,859)	(15,959,528)
Long-term Debt	(66,701,374)	(43,863,022)	(35,336,466)
Others, specify (negative entry):			
Dividends paid	(7,163,420)	(2,943,122)	(2,675,277)
Interests paid	(13,782,271)	(11,029,498)	(9,837,833)
Maturity of derivatives - net	-	-	(368,799)
Lease liabilities	(160,058)	(84,292)	(47,933)
C. Net Cash Provided by (Used in) Financing Activities (sum of above rows)	**(5,513,233)**	**19,685,743**	**22,623,545**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (A + B + C)	(10,243,280)	2,284,230	9,114,238
Cash and Cash Equivalents			
Beginning of year	42,060,082	39,775,852	30,661,614
End of year	**31,816,802**	**42,060,082**	**39,775,852**

NOTE: Pursuant to SRC Rule 68.1 (as amended in Nov. 2005), for fiscal years ending December 31, 2005 up to November 30, 2006, a comparative format of only two (2) years may be filed to give temporary relief for covered companies as the more complex PFRSs will be applied for the first time in these year end periods. After these first time applications, the requirement of three (3) year comparatives shall resume for year end reports beginning December 31, 2006 and onwards.

Table 4. Statement of Changes in Equity

FINANCIAL DATA	Capital Stock	Additional Paid-in Capital	Cumulative Translation Adjustment	Net fair value changes of equity instruments at fair value through other comprehensive income	Remeasurement Loss on Defined Benefit Obligation	Net Fair Value Changes on Cash Flow Hedges	Retained Earnings-Appropriated	Retained Earnings-Unappropriated	Treasury Stock	Noncontrolling Interests	TOTAL
	(Amount in P'000)										
A. Balance, 2021	33,166,300	38,056,016	3,083,184	14,708,368	(548,643)	(432,883)	42,200,000	205,671,557	(2,984,695)	1,441,569	334,360,773
A.1 Correction of Error(s)	-	-	-	-	-	-	-	-	-	-	-
A.2 Effect of Common Control Business Combination	-	44,330	-	-	-	-	-	-	-	3,277	47,607
B. Restated Balance	33,166,300	38,100,346	3,083,184	14,708,368	(548,643)	(432,883)	42,200,000	205,671,557	(2,984,695)	1,444,846	334,408,380
C. Surplus											-
C.1 Surplus (Deficit) on Revaluation of Properties	-	-	-	-	-	-	-	-	-	-	-
C.2 Surplus (Deficit) on Revaluation of Investments	-	-	-	-	-	-	-	-	-	-	-
C.3 Currency Translation Differences	-	-	351,987	-	-	-	-	-	-	-	351,987
C.4 Other Surplus (specify)											-
C.4.1 Other comprehensive income	-	-	-	(475,854)	(380,239)	3,417,488	-	-	-	(3,209)	2,558,186
C.4.2 Transfer of unrealized gain on equity instruments at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-	-
D. Net Income (Loss) for the Period	-	-	-	-	-	-	-	30,099,799	-	643,330	30,743,129
E. Dividends (negative entry)	-	-	-	-	-	-	-	(2,799,072)	-	(144,050)	(2,943,122)
F. Appropriation for (specify)	-	-	-	-	-	-	-	-	-	-	-
G. Issuance of Capital Stock											-
G.1 Common Stock	-	-	-	-	-	-	-	-	-	-	-
G.2 Preferred Stock	-	-	-	-	-	-	-	-	-	-	-
G.3 Others - Treasury stock	-	-	-	-	-	-	-	-	-	-	-
G.4 Others - Sale of non-controlling interest	-	23,847	-	-	-		-	-	-	9,199	33,046
H. Balance, 2022	33,166,300	38,124,193	3,435,171	14,232,514	(928,882)	2,984,605	42,200,000	232,972,284	(2,984,695)	1,950,116	365,151,606
H.1 Correction of Error (s)	-	-	-	-	-	-	-	-	-	-	-
H.2 Effect of Common Control Business Combination	-	-	-	-	-	-	-	-	-	-	-
I. Restated Balance	33,166,300	38,124,193	3,435,171	14,232,514	(928,882)	2,984,605	42,200,000	232,972,284	(2,984,695)	1,950,116	365,151,606
J. Surplus											-
J.1 Surplus (Deficit) on Revaluation of Properties	-	-	-	-	-	-	-	-	-	-	-
J.2 Surplus (Deficit) on Revaluation of Investments	-	-	-	-	-	-	-	-	-	-	-
J.3 Currency Translation Differences	-	-	(879,032)	-	-	-	-	-	-	-	(879,032)
J.4 Other Surplus (specify)											-
J.4.1 Other comprehensive income (loss)	-	-	-	2,705,989	(133,555)	(1,905,511)	-	-	-	(1,056)	665,867
J.4.2 Transfer of unrealized gain on equity instruments at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-	-
K. Net Income (Loss) for the Period	-	-	-	-	-	-	-	40,010,501	-	853,344	40,863,845
L. Dividends (negative entry)	-	-	-	-	-	-	-	(6,838,970)	-	(324,450)	(7,163,420)
M. Appropriation for (specify)	-	-	-	-	-	-	-	-	-	-	-
N. Issuance of Capital Stock											-
N.1 Common Stock	-	-	-	-	-	-	-	-	-	-	-
N.2 Preferred Stock	-	-	-	-	-	-	-	-	-	-	-
N.3 Others - Treasury stock	-	-	-	-	-	-	-	-	-	-	-
N.4 Others - Additional investment of non-controlling interest	-	-	-	-	-	-	-	-	-	201,000	201,000
N.5 Others - Sale of non-controlling interest	-	35,707	-	-	-		-	-	-	11,463	47,170
O. Balance, 2023	33,166,300	38,159,900	2,556,139	16,938,503	(1,062,437)	1,079,094	42,200,000	266,143,815	(2,984,695)	2,690,417	398,887,036

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Statement of Management's Responsibility for Financial Statements

The management of SM Prime Holdings, Inc. is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, as at December 31, 2023 and 2022, and for the years then ended, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatements, whether due to fraud or error.

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

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the 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 financial statements of SM Prime Holdings, Inc. in accordance with the 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.

Henry T. Sy, Jr.
Chairman

Jeffrey C. Lim
President

John Nai Peng C. Ong
Chief Finance Officer

Signed this 19th of February, 2024

SUBSCRIBED AND SWORN to before me this MAR 2 6 2024 at PASAY CITY, affiants exhibiting to me their Philippine passports, as follows:

NAME	PASSPORT NO.	DATE OF ISSUE	PLACE OF ISSUE
HENRY T. SY, JR.	[redacted]		
JEFFREY C. LIM			
JOHN NAI PENG C. ONG			

ATTY. RONHEL VINN A. PAPA
Notary Public for Pasay City
Until December 31, 2024
IBP OR No. 324349/ 04-Dec-2023 / Roll No. 73157
PTR OR No. 8457592 1/04/24 / TIN# 743-448-049
MCLE Compliance No. VII-0025922 valid until 14 April 2025

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SGV
Building a better working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
SM Prime Holdings, Inc.
7/F MOA Square
Seashell Lane cor. Coral Way
Mall of Asia Complex
Brgy. 76 Zone 10, CBP 1-A, Pasay City
Metro Manila, Philippines

Report on the Audit of the Parent Company Financial Statements

Opinion

We have audited the parent financial statements of SM Prime Holdings, Inc. (the "Company"), which comprise the parent company balance sheets as at December 31, 2023 and 2022, and the parent company statements of income, parent company statements of comprehensive income, parent company statements of changes in equity and parent company statements of cash flows for years then ended, and notes to the parent company financial statements, including material accounting policy information.

In our opinion, the accompanying parent company financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Parent Company Financial Statements* section of our report. We are independent of the Company 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 parent company 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.

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

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

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Parent Company Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company 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 parent company 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 parent company 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 Company'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 based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company'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 parent company 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 Company to cease to continue as a going concern.

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

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.

Report on the Supplementary Information Required Under Revenue Regulations 15-2010

The supplementary information required under Revenue Regulations 15-2010 for purposes of filing with the Bureau of Internal Revenue is presented by the management of SM Prime Holdings, Inc. in a separate schedule. Revenue Regulations 15-2010 require the information to be presented in the notes to parent company financial statements. Such information is not a required part of the basic financial statements. The information is also not required by the Revised Securities Regulation Code Rule 68. Our opinion on the basic financial statements is not affected by the presentation of the information in a separate schedule.

The engagement partner on the audit resulting in this independent auditor's report is Juan Miguel P. Machuca.

SYCIP GORRES VELAYO & CO.

Juan Miguel P. Machuca
Partner
CPA Certificate No. 116998
Tax Identification No. 226-074-253
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
BIR Accreditation No. 08-001998-140-2024, February 28, 2024, valid until February 27, 2027
PTR No. 10079963, January 6, 2024, Makati City

February 19, 2024

SM PRIME HOLDINGS, INC.

PARENT COMPANY BALANCE SHEETS

(Amounts in Thousands)

	December 31	
	2023	2022
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 4, 16, 20 and 21)	**₱3,950,420**	₱18,823,952
Receivables and contract assets (Notes 5, 16, 20 and 21)	**24,232,081**	18,726,178
Real estate inventories (Note 7)	**8,982,255**	9,906,735
Derivative assets (Notes 20 and 21)	**60,820**	275,987
Prepaid expenses and other current assets (Notes 8, 16, 20 and 21)	**4,455,049**	5,084,923
Total Current Assets	**41,680,625**	52,817,775
Noncurrent Assets		
Equity instruments at fair value through other comprehensive income (FVOCI) (Notes 6, 16, 20 and 21)	**19,568,176**	17,075,163
Investment properties (Notes 9 and 21)	**315,495,368**	292,925,906
Investments and deposits (Notes 10, 16 and 20)	**287,000,043**	270,946,602
Derivative assets – net of current portion (Notes 20 and 21)	**2,020,059**	3,160,817
Other noncurrent assets (Notes 5, 15, 20 and 21)	**37,517,857**	29,560,379
Total Noncurrent Assets	**661,601,503**	613,668,867
	₱703,282,128	₱666,486,642
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities (Notes 11, 16, 20 and 21)	**₱41,446,945**	₱35,795,707
Current portion of long-term debt (Notes 12, 20 and 21)	**22,194,012**	28,928,014
Income tax payable	**545,273**	–
Total Current Liabilities	**64,186,230**	64,723,721
Noncurrent Liabilities		
Long-term debt - net of current portion (Notes 12, 20 and 21)	**160,121,409**	159,543,999
Tenants' and customers' deposits - net of current portion (Notes 19, 20 and 21)	**19,251,327**	17,971,469
Liability for purchased land - net of current portion (Notes 20 and 21)	**129,915**	398,198
Deferred tax liabilities - net (Note 14)	**3,573,609**	3,103,607
Derivative liabilities (Notes 20 and 21)	**150,193**	77,229
Other noncurrent liabilities (Notes 11, 15, 20 and 21)	**16,195,729**	14,148,243
Total Noncurrent Liabilities	**199,422,182**	195,242,745
Total Liabilities	**263,608,412**	259,966,466

(Forward)

	December 31	
	2023	2022
Equity		
Capital stock (Notes 13 and 22)	**₱33,166,300**	₱33,166,300
Additional paid-in capital - net (Note 13)	**86,247,549**	86,211,842
Net fair value changes of equity instruments at FVOCI (Note 6)	**16,297,259**	13,804,247
Net fair value changes on cash flow hedges (Note 21)	**1,525,246**	2,497,499
Remeasurement loss on defined benefit obligation (Note 15)	**(245,776)**	(91,877)
Cumulative share in other comprehensive income of subsidiaries, associate and joint ventures (Note 10)	**2,300,693**	2,653,725
Retained earnings (Note 13):		
Appropriated	**42,200,000**	42,200,000
Unappropriated	**260,796,095**	228,692,090
Treasury stock (Notes 13 and 22)	**(2,613,650)**	(2,613,650)
Total Equity	**439,673,716**	406,520,176
	₱703,282,128	₱666,486,642

See accompanying Notes to Parent Company Financial Statements.

SM PRIME HOLDINGS, INC.

PARENT COMPANY STATEMENTS OF INCOME

(Amounts in Thousands, Except Per Share Data)

	Years Ended December 31	
	2023	2022
REVENUE		
Rent (Notes 9, 16 and 19)	**₱53,952,088**	₱43,269,072
Real estate sales	**7,747,602**	6,489,745
Others (Notes 16 and 17)	**10,203,512**	5,656,341
	71,903,202	55,415,158
COSTS AND EXPENSES		
Administrative (Note 15)	**11,184,730**	7,668,765
Depreciation and amortization (Notes 9 and 19)	**9,773,359**	8,786,776
Management and service fees (Note 16)	**3,824,666**	1,806,699
Business taxes and licenses	**3,276,384**	2,799,892
Cost of real estate sold (Note 7)	**3,259,313**	2,664,529
Marketing and advertising	**1,752,802**	1,020,306
Film rentals	**1,411,677**	843,961
Rent (Notes 16 and 19)	**1,175,611**	1,001,771
Insurance	**504,634**	435,762
Others	**1,288,230**	1,005,529
	37,451,406	28,033,990
INCOME FROM OPERATIONS	**34,451,796**	27,381,168
OTHER INCOME (CHARGES)		
Equity in net earnings of subsidiaries, associate and joint ventures (Note 10)	**16,817,256**	11,921,907
Interest expense (Notes 12 and 18)	**(5,647,161)**	(4,815,381)
Interest and dividend income (Notes 4, 6, 16 and 18)	**993,241**	860,061
Others - net (Notes 11, 12 and 19)	**(1,993,522)**	(1,103,033)
	10,169,814	6,863,554
INCOME BEFORE INCOME TAX	**44,621,610**	34,244,722
PROVISION FOR INCOME TAX (Note 14)		
Current	**5,176,067**	3,393,454
Deferred	**497,160**	1,351,373
	5,673,227	4,744,827
NET INCOME	**₱38,948,383**	₱29,499,895
Basic/Diluted Earnings Per Share (Note 22)	**₱1.387**	₱1.043
Dividend Per Share (Note 13)	**₱0.237**	₱0.097

See accompanying Notes to Parent Company Financial Statements.

SM PRIME HOLDINGS, INC.

PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands)

	Years Ended December 31	
	2023	2022
NET INCOME	**₱38,948,383**	₱29,499,895
OTHER COMPREHENSIVE INCOME (LOSS)		
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods (net of tax):		
Net fair value changes on cash flow hedges (Note 21)	**(972,253)**	2,501,512
Share in other comprehensive loss of subsidiaries, associate and joint ventures (Note 10)	**(527,018)**	(17,309)
	(1,499,271)	2,484,203
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods (net of tax):		
Unrealized gain (loss) due to changes in fair value of equity instruments at fair value through other comprehensive income (Note 6)	**2,493,012**	(463,677)
Share in other comprehensive gain (loss) of subsidiaries, associate and joint ventures (Note 10)	**173,986**	(352,101)
Remeasurement loss on defined benefit obligation (Note 15)	**(153,899)**	(3,802)
	2,513,099	(819,580)
TOTAL COMPREHENSIVE INCOME	**₱39,962,211**	₱31,164,518

See accompanying Notes to Parent Company Financial Statements.

SM PRIME HOLDINGS, INC.

PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(Amounts in Thousands)

	Capital Stock (Notes 13 and 22)	Additional Paid-in Capital - Net (Note 13)	Net Fair Value Changes of Equity Instruments at FVOCI (Note 6)	Net Fair Value Changes on Cash Flow Hedges (Note 21)	Remeasurement Loss on Defined Benefit Obligation (Note 15)	Cumulative Share in Other Comprehensive Income of Subsidiaries, Associate and Joint Ventures (Note 10)	Retained Earnings Appropriated (Note 13)	Retained Earnings Unappropriated (Note 13)	Treasury Stock (Notes 13 and 22)	Total
At January 1, 2023	**₱33,166,300**	**₱86,211,842**	**₱13,804,247**	**₱2,497,499**	**(₱91,877)**	**₱2,653,725**	**₱42,200,000**	**₱228,692,090**	**(₱2,613,650)**	**₱406,520,176**
Net income for the year	–	–	–	–	–	–	–	**38,948,383**	–	**38,948,383**
Other comprehensive income (loss)	–	–	**2,493,012**	**(972,253)**	**(153,899)**	**(353,032)**	–	–	–	**1,013,828**
Total comprehensive income (loss)	–	–	**2,493,012**	**(972,253)**	**(153,899)**	**(353,032)**	–	**38,948,383**	–	**39,962,211**
Other changes in equity of subsidiary (Note 13)	–	**35,707**	–	–	–	–	–	–	–	**35,707**
Cash dividends - ₱0.237 per share (Note 13)	–	–	–	–	–	–	–	**(6,844,378)**	–	**(6,844,378)**
At December 31, 2023	**₱33,166,300**	**₱86,247,549**	**₱16,297,259**	**₱1,525,246**	**(₱245,776)**	**₱2,300,693**	**₱42,200,000**	**₱260,796,095**	**(₱2,613,650)**	**₱439,673,716**
At January 1, 2022	₱33,166,300	₱86,187,995	₱14,267,924	(₱4,013)	(₱88,075)	₱3,023,135	₱42,200,000	₱201,993,480	(₱2,613,650)	₱378,133,096
Net income for the year	–	–	–	–	–	–	–	29,499,895	–	29,499,895
Other comprehensive income (loss)	–	–	(463,677)	2,501,512	(3,802)	(369,410)	–	–	–	1,664,623
Total comprehensive income (loss)	–	–	(463,677)	2,501,512	(3,802)	(369,410)	–	29,499,895	–	31,164,518
Other changes in equity of subsidiary (Note 10)	–	23,847	–	–	–	–	–	–	–	23,847
Cash dividends - ₱0.097 per share (Note 13)	–	–	–	–	–	–	–	(2,801,285)	–	(2,801,285)
At December 31, 2022	₱33,166,300	₱86,211,842	₱13,804,247	₱2,497,499	(₱91,877)	₱2,653,725	₱42,200,000	₱228,692,090	(₱2,613,650)	₱406,520,176

See accompanying Notes to Parent Company Financial Statements.

SM PRIME HOLDINGS, INC.

PARENT COMPANY STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

	Years Ended December 31	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱44,621,610**	₱34,244,722
Adjustments for:		
Equity in net earnings of subsidiaries, associate and joint ventures (Note 10)	**(16,817,256)**	(11,921,907)
Depreciation and amortization (Notes 9 and 19)	**9,773,359**	8,786,776
Interest expense (Notes 12 and 18)	**5,647,161**	4,815,381
Interest and dividend income (Notes 4, 6, 16 and 18)	**(993,241)**	(860,061)
Loss (gain) on unrealized foreign exchange and fair value changes on derivatives – net	**(22,577)**	758,272
Operating income before working capital changes	**42,209,056**	35,823,183
Decrease (increase) in:		
Receivables and contract assets	**(5,563,389)**	(7,083,912)
Real estate inventories	**924,480**	(851,968)
Prepaid expenses and other current assets	**629,874**	1,814,527
Increase in:		
Accounts payable and other liabilities	**7,095,522**	4,420,552
Tenants' and customers' deposits	**1,279,858**	1,784,786
Cash generated from operations	**46,575,401**	35,907,168
Income taxes paid	**(4,630,794)**	(3,174,076)
Net cash provided by operating activities	**41,944,607**	32,733,092
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to:		
Investment properties (Note 9)	**(27,635,131)**	(14,060,903)
Investment and deposits (Note 10)	**(2,749,047)**	(10,662,035)
Interest and dividend received	**4,654,176**	4,238,165
Increase in bonds and deposits and other noncurrent assets	**(7,957,478)**	(4,759,421)
Net cash used in investing activities	**(33,687,480)**	(25,244,194)

(Forward)

	Years Ended December 31	
	2023	2022
CASH FLOWS FROM FINANCING ACTIVITIES		
Availment of loans (Note 12)	**₱47,300,000**	₱40,415,000
Payments of:		
Long-term debt (Note 12)	**(44,245,942)**	(30,861,541)
Interest	**(10,485,384)**	(9,251,850)
Bank loans	**(9,000,000)**	–
Dividends (Note 13)	**(6,844,378)**	(2,801,285)
Lease liabilities - net (Notes 11 and 19)	**(123,518)**	(91,053)
Proceeds on maturity of derivatives	**222,600**	2,956,415
Net cash provided by (used in) financing activities	**(23,176,622)**	365,686
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**45,963**	(118,272)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(14,873,532)**	7,736,312
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR (Note 4)	**18,823,952**	11,087,640
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱3,950,420**	₱18,823,952

See accompanying Notes to Parent Company Financial Statements.

1. Corporate Information

SM Prime Holdings, Inc. (SMPH or the Company) was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on January 6, 1994. SMPH is incorporated to acquire by purchase, exchange, assignment, gift or otherwise, and to own, use, improve, subdivide, operate, enjoy, sell, assign, transfer, exchange, lease, let, develop, mortgage, pledge, traffic, deal in and hold for investment or otherwise, including but not limited to real estate and the right to receive, collect and dispose of, any and all rentals, dividends, interest and income derived therefrom; the right to vote on any proprietary or other interest on any shares of stock, and upon any bonds, debentures, or other securities; and the right to develop, conduct, operate and maintain modernized commercial shopping centers and all the businesses appurtenant thereto, such as but not limited to the conduct, operation and maintenance of shopping center spaces for rent, amusement centers, movie or cinema theatres within the compound or premises of the shopping centers, to construct, erect, manage and administer buildings such as condominium, apartments, hotels, restaurants, stores or other structures for mixed use purposes.

SMPH's shares of stock are publicly traded in the Philippine Stock Exchange (PSE).

The Company's ultimate parent company is SM Investments Corporation (SMIC). SMIC is a Philippine corporation whose common shares is listed with the PSE in 2005. SMIC and all its subsidiaries are herein referred to as the "SM Group".

The registered office and principal place of business of the Company is at 7/F MOA Square, Seashell Lane cor. Coral Way, Mall of Asia Complex, Brgy. 76 Zone 10, CBP 1-A, Pasay City, Metro Manila, Philippines.

The accompanying parent company financial statements were approved and authorized for issue in accordance with a resolution by the Board of Directors (BOD) on February 19, 2024.

2. Basis of Preparation

The accompanying parent company financial statements have been prepared on a historical cost basis, except for financial assets at fair value through other comprehensive income (FVOCI) and derivative financial instruments which have been measured at fair value. The parent company financial statements are presented in Philippine peso, which is the Company's functional and presentation currency under Philippine Financial Reporting Standards (PFRS). All values are rounded to the nearest thousand peso, except when otherwise indicated.

The accompanying parent company financial statements have been prepared under the going concern assumption.

Statement of Compliance
The accompanying parent company financial statements have been prepared in compliance with PFRS.

The Company also prepared and issued consolidated financial statements for the same period as the parent company financial statements presented in compliance with PFRS. These may be obtained at the registered office address of the Company or at the SEC.

Material Accounting Judgments, Estimates and Assumptions
The preparation of the parent company financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. Uncertainty about these estimates and assumptions could result in outcomes that require an adjustment to the carrying amount of the affected asset or liability in the future period.

Judgments
In the process of applying the Company'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 parent company financial statements.

Existence of a Contract. The Company'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, would contain all the criteria to qualify as contract with the customer under PFRS 15.

In addition, part of the assessment process of the Company before revenue recognition is to assess the probability that the Company will collect the consideration to which it will be entitled in exchange for the real estate property that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, an entity considers the significance of the buyer's initial payments in relation to the total contract price.

Revenue Recognition Method and Measure of Progress. The Company concluded that revenue from sale of real estate is to be recognized over time because (a) the Company's performance does not create an asset with an alternative use and; (b) the Company has an enforceable right for performance completed to date. The promised property is specifically identified in the contract and the contractual restriction on the Company's ability to direct the promised property for another use is substantive. This is because 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 relation to that contract. In addition, under the current legal framework, the customer is contractually obliged to make payments to the developer up to the performance completed to date. The cost to obtain a contract (e.g., commission) is determined using the percentage of completion (POC).

The Company has determined that output method used in measuring the progress of the performance obligation faithfully depicts the Company's performance in transferring control of real estate development, which include customized uninstalled materials, to the customers. The Company determined that in the case of customized materials, the Company 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 Transaction Price of Sale of Real Estate. The Company determines whether a contract contains a significant financing component using the portfolio approach by considering (1) the difference, if any, between the amount of promised considerations and the cash selling price of the promised goods or services; and (2) the effect of the expected length of time between when the entity transfers the promised goods or service to the customer and when the customer pays for those goods or services and the prevailing effective interest rate (EIR). The Company applied the practical expedient by not adjusting the effect of financing component when the period when the entity transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less. The Company determined that its transaction price on sale of real estate recognized over time do not include a significant financing component.

Operating Lease Commitments - as Lessor. The Company has entered into commercial property leases on its investment property portfolio. Management has determined, based on an evaluation of the terms and conditions of the arrangements, that it 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.

Lease Modification - as Lessor. Throughout the government-imposed community quarantine, the Company waived rentals and other charges amounting to nil and ₱4,556 million for the years ended December 31, 2023 and 2022, respectively, which reduced rental income. Such waivers are not accounted as a lease modification under PFRS 16 since COVID-19 is a force majeure under the general law.

Determining the Lease Term of Contract. The Company applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate its lease contracts with extension and/or termination options. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. The Company typically exercises its option to renew its leases of various parcels of land since its lease term periods are generally covered by an automatic renewal option. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

Determining Taxable Profit, Tax Bases, Unused Tax Losses, Unused Tax Credits and Tax Rates. The Company applies significant judgment in identifying uncertainties over its income tax treatments. The Company determined based on its assessment, in consultation with its tax counsel, that it is probable that its income tax treatments will be accepted by the taxation authorities.

Estimates and Assumptions

The key estimates and assumptions that may have significant risks of causing material adjustments to the carrying amounts of revenues, expenses, assets and liabilities within the next financial period are discussed below.

Measure of Progress. The Company's revenue recognition policy requires management to make use of estimates and assumptions that may affect the reported amounts of revenues and costs. The Company's revenue from real estate sales recognized based on the percentage of completion are measured principally on the basis of physical completion of the real estate projects.

Revenue from sale of real estate amounted to ₱7,748 million and ₱6,490 million for the years ended December 31, 2023 and 2022, respectively, while the cost of real estate sold amounted to ₱3,259 million and ₱2,665 million for the years ended December 31, 2023 and 2022, respectively (see Note 7).

Provision for Expected Credit Losses (ECL) of Receivables and Contract Assets (or referred also in the parent company financial statements as "Unbilled revenue from sale of real estate"). The Company maintains an allowance for credit loss at a level considered adequate to provide for potential uncollectible receivables. The Company uses a provision matrix for rent and other receivables, and vintage approach for receivable from sale of real estate (billed and unbilled) to calculate ECLs. The Company performs a regular review of the age and status of these accounts, designed to identify accounts for impairment. The assessment of the correlation between historical observed default rates, forecasted economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions.

The allowance for ECLs amounted to ₱623 million as at December 31, 2023 and 2022. (see Note 5).

Net Realizable Value of Real Estate Inventories. The net realizable value of real estate inventories is assessed with reference to market price at the balance sheet date for similar completed property, less estimated cost to complete the construction and estimated cost to sell. The Company reviews the carrying value regularly for any decline in value due to changes in market price or other causes.

The carrying values of real estate inventories amounted to ₱8,982 million and ₱9,907 million as at December 31, 2023 and 2022, respectively (see Note 7).

Estimated Useful Lives of Investment Properties (except for Right-of-use Asset (ROUA)). The useful life of each of the Company's investment properties, excluding ROUA, is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of industry practice, internal technical evaluation and experience with similar assets. The estimated useful life of each asset is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limitations on the use of the asset. It is possible, however, that future financial performance could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above. A reduction in the estimated useful life of any investment properties, excluding ROUA, would increase the recorded costs and expenses and decrease noncurrent assets.

The carrying values of investment properties, excluding ROUA, amounted to ₱308,182 million and ₱285,211 million as at December 31, 2023 and 2022, respectively (see Note 9).

Realizability of Deferred Tax Assets. The Company's assessment on the recognition of deferred tax assets on 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) is based on the projected taxable income in future periods.

Deferred tax assets recognized in the parent company balance sheets amounted to ₱1,589 million and ₱1,579 million as at December 31, 2023 and 2022, respectively (see Note 14).

Fair Value of Assets and Liabilities. The Company carries and discloses certain assets and liabilities at fair value, which requires extensive use of accounting judgments and estimates. 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 Company utilized different valuation methodologies and assumptions. Any changes in the fair value of these assets and liabilities that are carried in the parent company financial statements would directly affect parent company statements of income and other comprehensive income (OCI).

The fair value of assets and liabilities are discussed in Note 21.

Contingencies. The Company is currently involved in various legal and administrative proceedings. The estimate of the probable costs for the resolution of these proceedings has been developed in consultation with in-house as well as outside legal counsel handling defense in these matters and is based upon an analysis of potential results. The Company currently does not believe that these proceedings will have a material adverse effect on its financial position and performance and no provisions were made in relation to these proceedings. 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.

Estimating Incremental Borrowing Rate (IBR) for Leases. The Company uses its IBR to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain the asset of similar value in a similar economic environment. The Company estimates the IBR using the available market interest rates adjusted with the Company's credit rating.

3. Summary of Significant Accounting and Financial Reporting Policies

<u>Changes in Accounting Policies and Disclosures</u>
The accounting policies adopted are consistent with those of the previous financial year, except that the Company has adopted the following new accounting pronouncements starting January 1, 2023. Adoption of these pronouncements did not have any significant impact on the Company's financial position or performance unless otherwise indicated.

- Amendments to Philippine Accounting Standards (PAS) 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction,* narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

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

- Amendments to PAS 12, *International Tax Reform – Pillar Two Model Rules*

  The amendments introduce a mandatory exception in PAS 12 from recognizing and disclosing deferred tax assets and liabilities related to Pillar Two income taxes.

  The amendments also clarify that PAS 12 applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two Model Rules published by the Organization for Economic Cooperation and Development, including tax law that implements qualified domestic minimum top-up taxes. Such tax legislation, and the income taxes arising from it, are referred to as 'Pillar Two legislation' and 'Pillar Two income taxes', respectively.

  The temporary exception from recognition and disclosure of information about deferred taxes and the requirement to disclose the application of the exception, apply immediately and retrospectively upon adoption of the amendments in June 2023. The Company is yet to apply the temporary exception because the Company's entities are operating in jurisdictions which Pillar Two legislation has not yet been enacted or substantially enacted.

- Amendments to PAS 8, *Definition of Accounting Estimates* introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies* provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

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

  The amendments to the Practice Statement provide non-mandatory guidance. The amendments have had an impact on the Company's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Company's financial statements.

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

Effective beginning on or after January 1, 2024

- Amendments to PAS 1*, Classification of Liabilities as Current or Non-current,* clarify:
  - That only covenants with which an entity must comply on or before reporting date will affect a liability's classification as current or non-current;
  - 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.

  The amendments must be applied retrospectively.

- Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback,* specify how a seller-lessee measures the lease liability arising in a sale and leaseback transaction in a way that it does not recognize any amount of the gain or loss that relates to the right of use retained.

  The amendments must be applied retrospectively. Earlier adoption is permitted and that fact must be disclosed.

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

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*

- Amendments to PAS 21*, Lack of exchangeability*

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

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

The Company 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 or disclosed in the parent company financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; 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 parent company financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period and recognizes transfers as at the date of the event or change in circumstances that caused the transfer.

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

Financial Instruments - Initial Recognition and Subsequent Measurement

Financial Assets

Initial recognition and measurement. Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through profit or loss (FVTPL), and FVOCI.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. The Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs.

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 an instrument level.

The Company'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.

As at December 31, 2023 and 2022, the Company has no debt instruments classified as financial assets at FVOCI.

Subsequent measurement. For purposes of subsequent measurement, financial assets are classified in the following categories:

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

  - The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and

  - The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

  Financial assets at amortized cost are subsequently measured using the 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 Company's financial assets at amortized cost includes cash and cash equivalents, receivables and escrow and time deposits (included under "Other noncurrent assets" account). Other than those financial assets at amortized cost whose carrying values are reasonable approximation of fair values, the aggregate carrying value of financial assets under this category amounted to ₱567 million and ₱2,070 million as at December 31, 2023 and 2022, respectively (see Note 21).

- *Financial assets at FVTPL.* Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not SPPI are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or FVOCI, as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

  Financial assets at FVTPL are carried in the balance sheet at fair value with net changes in fair value recognized in the statement of income.

  This category includes derivative instruments and due from subsidiaries (included under "Investments and deposits). The carrying value of financial assets classified under this category amounted to ₱9,189 million and ₱8,905 million as at December 31, 2023 and 2022, respectively (see Notes 10 and 21).

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 if: 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 FVTPL. Embedded derivatives are measured at fair value with changes in FVTPL. 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 FVTPL 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 FVTPL.

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

  Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized in the parent company statements of income when the right of payment has been established, except when the Company 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 at FVOCI are not subject to impairment assessment.

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

  Classified under this category are the investments in shares of stocks of certain companies. The carrying value of financial assets classified under this category amounted to ₱19,568 million and ₱17,075 million as at December 31, 2023 and 2022, respectively (see Note 21).

Derecognition. A financial asset (or, where applicable, a part of a financial asset or part of a Company of similar financial assets) is primarily derecognized (i.e., removed from the Company's balance sheet) when:

- The rights to receive cash flows from the asset have expired, or,
- The Company 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 Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

The Company evaluates if, and to what extent, it has retained the risks and rewards of ownership. The Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Company also recognized an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company 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 Company could be required to repay.

Impairment of financial assets. The Company recognizes an allowance for ECLs for all debt instruments not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original EIR. 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. The Company uses a provision matrix for rent and other receivables, vintage approach for receivables from sale of real estate (billed and unbilled) and general approach for treasury assets to calculate ECLs.

The Company applies provision matrix and has calculated ECLs based on lifetime ECLs. The Company recognizes a loss allowance based on lifetime ECLs at each reporting date, adjusted for forward-looking factors specific to the debtors and the economic environment.

Vintage approach accounts for ECL by calculating the cumulative loss rates of a given real estate receivable pool. It derives the probability of default from the historical data of a homogenous portfolio that share the same origination period. The information on the number of defaults during fixed time intervals of the accounts is utilized to create the probability model. It allows the evaluation of the loan activity from its origination period until the end of the contract period. In addition to life of loan loss data, primary drivers like macroeconomic indicators of qualitative factors such as, but not limited to, forward-looking data on inflation rate was added to the expected loss calculation to reach a forecast supported by both quantitative and qualitative data points. The probability of default is applied to the estimate of the loss arising on default which is based on the difference between the contractual cash flows due and those that the Company would expect to receive, including from the repossession of the subject real estate property, net of cash outflows. For purposes of calculating loss given default, accounts are segmented based on the type of unit. In calculating the recovery rates, the Company considered collections of cash and/or cash from resale of real estate properties after foreclosure, net of direct costs of obtaining and selling the real estate properties after the default event such as commission, refurbishment, payment required under Maceda law, cost to complete (for incomplete units). As these are future cash flows, these are discounted back to the time of default using the appropriate EIR, usually being the original EIR or an approximation thereof.

The Company considers a financial asset in default generally when contractual payments are 120 days past due or when the sales are cancelled supported by a notarized cancellation letter executed by the Company and unit buyer. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial Liabilities

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

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

Subsequent measurement. The Company classifies its financial liabilities in the following categories:

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

  Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. Derivatives, including any separated derivatives, are also classified under liabilities at FVTPL, unless these are designated as hedging instruments in an effective hedge or financial guarantee contracts. Gains or losses on liabilities held for trading are recognized in the parent company statement of income under “Others - net” account. Classified as financial liabilities at FVTPL are the Company’s derivative liabilities amounting to ₱150 million and ₱77 million as at December 31, 2023 and 2022, respectively (see Note 21).

- *Loans and borrowings.* This category pertains to financial liabilities that are not held for trading or not designated as at FVTPL upon the inception of the liability. These include liabilities arising from operations or borrowings. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in the parent company statement of income when the loans and borrowings are derecognized, as well as through the amortization process. Loans and borrowings are included under current liabilities if settlement is within twelve months from reporting period. Otherwise, these are classified as noncurrent liabilities.

  Classified under this category are accounts payable and other current liabilities, long-term debt, tenants’ deposits, liability for purchased land and other noncurrent liabilities (except for taxes payables and other payables covered by other accounting standards). Other than those other financial liabilities whose carrying values are reasonable approximation of fair values, the aggregate carrying values of financial liabilities under this category amounted to ₱185,289 million and ₱181,739 million as at December 31, 2023 and 2022, respectively (see Note 21).

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

Debt Issue Costs

Debt issue costs are presented as reduction in long-term debt and are amortized over the terms of the related borrowings using the effective interest method.

Derivative Financial Instruments

Initial recognition and subsequent measurement. The Company uses derivative financial instruments, such as foreign exchange forward swaps, cross currency swaps, interest rate swaps and non-deliverable forwards contracts to hedge its foreign currency risks and interest rate risks. Such derivative financial instruments are initially recognized at fair value on the date on which a 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.

The Company's derivative financial instruments are accounted for as either cash flow hedges or transactions not designated as hedges (see Note 21). These hedge the exposures to variability in cash flows that is either 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.

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Company will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge effectiveness and how the hedge ratio is determined). 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 Company actually hedges and the quantity of the hedging instrument that the Company actually uses to hedge that quantity of 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 in the net fair value changes on cash flow hedges, while any ineffective portion is recognized immediately in the parent company statement of income. The net fair value changes on cash flow hedges is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The Company designates only the elements of the foreign exchange forward swaps, cross currency swaps, interest rate swaps, and non-deliverable forwards contracts as hedging instruments to achieve its risk management objective. These elements, including changes in fair value, are recognized in OCI and accumulated in a separate component of equity under net fair value changes on cash flow hedges.

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 the hedged cash flows affect profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in OCI must remain in accumulated OCI if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated OCI must be accounted for depending on the nature of the underlying transaction as described above.

Other Derivative Instruments Not Accounted for as Hedges. Certain freestanding derivative instruments that provide economic hedges under the Company's policies either do not qualify for hedge accounting or are not designated as accounting hedges. Changes in the fair values of derivative instruments not designated as hedges are recognized immediately under "Others - net" account in the statements of income. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Real Estate Inventories

Real estate inventories are stated at the lower of cost and net realizable value. 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. Real estate inventories include properties being constructed for sale in the ordinary course of business, rather than to be held 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 costs, costs of site preparation, professional fees, property transfer taxes, construction overheads and other related costs.

Prepaid Expenses and Other Current Assets

These consist of input tax, creditable withholding taxes, prepayments, advances to contractors, supplies and inventories and others. Input tax represents value added tax (VAT) paid to suppliers that can be claimed as credit against the future output VAT liabilities without prescription. Creditable withholding tax is the tax withheld by the withholding agents from payments to the Company which can be applied against the income tax payable. Prepaid taxes and other prepayments are carried at cost less amortized portion. These include prepayments for taxes and licenses, rent, advertising and promotions and insurance. Advances to contractors are carried at cost. These represent advance payments to contractors for the construction and development of the projects. These are recouped upon every progress billing payment depending on the percentage of accomplishment.

Investment Properties

These consist of commercial spaces/properties held for rental and/or capital appreciation and ROUA and land held for future development. These accounts are measured initially at cost. The cost of a purchased investment property comprises of its purchase price and any directly attributable costs. Subsequently, investment properties, except land and construction in progress, are measured at cost, less accumulated depreciation and amortization and accumulated impairment in value, if any. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met, and excludes the costs of day-to-day servicing of an investment property. Land is stated at cost less any impairment in value.

Property under construction or development for future use as an investment property is classified as investment property.

Depreciation and amortization are calculated on a straight-line basis over the following estimated useful lives of the assets:

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

Construction in progress represents structures under construction and is stated at cost. This includes cost of construction, machineries and equipment, and other direct costs. Cost also includes interest on borrowed funds incurred during the construction period. Construction in progress is not depreciated until such time that the relevant assets are completed and are ready for use.

Investment property is derecognized when either it has been disposed or when it is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the parent company statements of income in the period of retirement or disposal.

Transfers are made from investment property to inventories when, and only when, there is a change in use, as evidenced by an approved plan to construct and develop condominium and residential units for sale. Transfers are made from inventories to investment property when, and only when, there is change in use, as evidenced by commencement of an operating lease to a third party or change in the originally approved plan. The cost of property for subsequent accounting is its carrying value at the date of change in use.

Investments and Deposits

The Company's investments in shares of stocks of subsidiaries, associates and joint ventures are accounted for under the equity method of accounting. The parent company statements of income reflect the share in the result of operations of the associate or joint venture under "Others-net" account. Deposits are for future classification to the paid-up capital of subsidiaries. On acquisition of the investment, any difference between the cost of the investment and the investor's share in the net fair value of the associate's identifiable assets, liabilities and contingent liabilities is accounted for as follows:

- Goodwill relating to an associate or joint venture is included in the carrying amount of the investment. However, amortization of that goodwill is not permitted and is therefore not included in the determination of the Company's share in the associate's or joint venture's profits or losses.

- Any excess of the Company's share in the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the investor's share in the associate's or joint venture's profit or loss in the period in which the investment is acquired.

Also, appropriate adjustments to the Company's share of the subsidiary's, associate's or joint venture's profit or loss after acquisition are made to account for the depreciation of the depreciable assets based on their fair values at the acquisition date and for impairment losses recognized by the associate or joint venture.

The Company discontinues the use of equity method from the date when it ceases to have significant influence or joint control over an associate or joint venture and accounts for the investment in accordance with PFRS 9, from that date, provided the associate or joint venture does not become a subsidiary. When the Company's interest in an investment in associate or joint venture is reduced to zero, additional losses are provided only to the extent that the Company has incurred obligations or made payments on behalf of the associate or joint venture to satisfy obligations of the investee that the Company has guaranteed or otherwise committed. If the associate or joint venture subsequently reports profits, the Company resumes recognizing its share of the profits if it equals the share of net losses not recognized.

Other Noncurrent Assets
Other noncurrent assets consist of bonds and deposits, receivables from sale of real estate - net of current portion, time deposits, deferred input tax and others. Other noncurrent assets are carried at cost.

Impairment of Nonfinancial Assets
The carrying values of investments and deposits, investment properties and other noncurrent assets (excluding time deposits) are 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 cash-generating units are written down to their recoverable amounts. The recoverable amount of the asset is the greater of fair value less costs to sell or value in use. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, 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 cash-generating unit to which the asset belongs. Impairment losses are recognized in the parent company 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. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss. After such a reversal, the depreciation and amortization charges are 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.

Customers' Deposits
Customers' deposits mainly represent reservation fees and advance payments. These deposits will be recognized as revenue in the parent company statement of income as the related obligations to the real estate buyers are fulfilled.

Capital Stock and Additional Paid-in-Capital
Capital stock is measured at par value for all shares issued. Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as deduction from proceeds, net of tax. Proceeds and/or fair value of considerations received in excess of par value, if any, are recognized as "Additional paid-in capital - net" account. "Additional paid-in capital - net" also includes equity reserves arising from merger transactions, sales and acquisition of non-controlling interests.

Retained Earnings
Retained earnings represent accumulated net profits, net of dividend distributions and other capital adjustments.

Treasury Stock
Own equity instruments which are acquired (treasury shares) are deducted from equity and accounted for at cost. No gain or loss is recognized in the parent company statement of income on the purchase, sale, issuance or cancellation of the Company's own equity instruments.

Dividends
Dividends on common shares are recognized as liability and deducted from equity when declared and approved by the BOD. Dividends for the year that are approved after balance sheet date are dealt with as an event after the reporting period.

Revenue Recognition
Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company assesses its revenue arrangements against specific criteria to determine if it is acting as a principal or as an agent. The Company has concluded that it is acting as principal in majority of its revenue arrangements. The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in Note 2. The following specific recognition criteria, other than those disclosed in Note 2 to the parent company financial statements, must also be met before revenue is recognized:

Rent. Revenue is recognized on a straight-line basis over the lease term or based on the terms of the lease, as applicable.

Sale of Cinema and Amusement Tickets and Merchandise Sales. Revenue is recognized upon receipt of cash from the customer which coincides with the rendering of services or the delivery of merchandise. These are included in the "Revenue - Others" account in the parent company statement of income.

Dividend. Revenue is recognized when the Company's right as a shareholder to receive the payment is established. These are included in the "Interest and dividend income" account in the parent company statement of income.

Management and Service Fees. Revenue is recognized when earned in accordance with the terms of the agreements.

Interest. Revenue is recognized as the interest accrues, taking into account the effective yield on the asset.

Room Rentals, Food and Beverage, and Others. Revenue from room rentals is recognized on actual occupancy, food and beverage sales when orders are served, and other operated departments when the services are rendered. Revenue from other operated departments include, among others, business center, laundry service, and telephone service. Revenue from food and beverage sales and other hotel revenue are included under the "Revenue - Others" account in the parent company statement of income.

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

In measuring the progress of its performance obligation over time, the Company uses output method. The Company recognizes revenue on the basis of direct measurements of the value to customers of the goods or services transferred to date, relative to the remaining goods or services promised under the contract. Progress is measured using survey of performance completed to date/milestones reached/time elapsed. This is based on the monthly project accomplishment report prepared by the third-party project managers as approved by the construction managers which integrates the surveys of performance to date of the construction activities.

Any excess of progress of work over the right to an amount of consideration that is unconditional, recognized as receivables from sale of real estate, under trade receivables, is accounted for as unbilled revenue from sale of real estate.

Any excess of collections over the total of recognized installment real estate receivables is included in the contract liabilities (or referred also in the parent company financial statements as “Unearned revenue from sale of real estate”).

Information about the Company’s performance obligation. The Company 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 and the consideration is payable in cash or under a financing scheme entered with the customer. The financing scheme would include payment of certain percentage of the contract price spread over a certain period (e.g. one to three years) at a fixed monthly payment with the remaining balance payable in full at the end of the period either through cash or external financing. The amount due for collection under the amortization schedule for each of the customer does not necessarily coincide with the progress of construction.

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

Cost of Real Estate Sold. The Company recognizes costs relating to satisfied performance obligations as these are incurred taking into consideration the contract fulfillment assets such as land and connection fees. These include costs of land, land development costs, building costs, professional fees, depreciation and, permits and licenses. These costs are allocated to the saleable area, with the portion allocable to the sold area being recognized as costs of real estate sold while the portion allocable to the unsold area being recognized as part of real estate inventories. In addition, the Company recognizes as an asset only 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 Company’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. These pertain to unbilled revenue from sale of real estate. This is the right to consideration that is conditional in exchange for goods or services transferred to the customer. This is reclassified as trade receivable from sale of real estate when the monthly amortization of the customer is already due for collection.

Contract liabilities. These pertain to unearned revenue from sale of real estate. This is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. These also include customers' deposits related to sale of real estate. These are recognized as revenue when the Company performs its obligation under the contract.

Costs to obtain contract. The incremental costs of obtaining a contract with a customer are recognized as an asset if the Company expects to recover them. The Company has determined that commissions paid to brokers and marketing agents on the sale of pre-completed real estate units are deferred when recovery is reasonably expected and are 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 parent company statement of income. Costs incurred prior to obtaining contract with customer are not capitalized but are expensed as 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 Company firstly considers any other 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 Company applies the following criteria which, if met, result in capitalization: (i) the costs directly relate to a contract or to a specifically identifiable anticipated contract; (ii) the 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) the costs are expected to be recovered. The assessment of this criteria requires the application of judgement, in particular when considering if costs generate or enhance resources to be used to satisfy future performance obligations and whether costs are expected to be recoverable.

The Company's contract fulfillment assets mainly pertain to land acquisition costs (included under real estate inventories).

Amortization, derecognition and impairment of contract fulfillment assets and capitalized costs to obtain a contract. The Company amortizes contract fulfillment assets and capitalized costs to obtain a contract to cost of sales over the expected construction period using POC following the pattern of real estate revenue recognition. The amortization is included within cost of real estate sold.

A contract fulfillment asset or capitalized costs to obtain a contract is derecognized either 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 Company determines whether there is an indication that contract fulfillment asset or cost to obtain a contract maybe impaired. If such indication exists, the Company makes an estimate by comparing the carrying amount of the assets to the remaining amount of consideration that the Company expects to receive less the costs that relate to providing services under the relevant contract. In determining the estimated amount of consideration, the Company uses the same principles as it does to determine the contract transaction price, except that any constraints used to reduce the transaction price will be removed for the impairment test.

Where the relevant costs are demonstrating indicators of impairment, judgement is required in ascertaining whether or not the future economic benefits from these contracts are sufficient to recover these assets.

Pension Benefits
The Company is a participant in the SM Corporate and Management Companies Multi-Employer Retirement Plan.

Retirement Plan. The plan is a funded, noncontributory defined benefit retirement plan administered by a Board of Trustees covering all regular full-time employees. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method. This method reflects service rendered by employees to the date of valuation and incorporates assumptions concerning the employees' projected salaries. The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets, if any, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Defined benefit pension costs comprise the following:

- Service cost
- Net interest on the net defined benefit obligation or asset
- Remeasurements of net defined benefit obligation or asset

Service cost which includes current service costs, past service costs and gains or losses on non-routine settlements are recognized as part of "Costs and expenses" under "Administrative" account in the parent company statement of income. Past service costs are recognized when plan amendment or curtailment occurs.

Net interest on the net defined benefit obligation or asset is the change during the period in the net defined benefit obligation or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit obligation or asset is recognized as part of "Costs and expenses" under "Administrative" account in the parent company statement of income.

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

Plan assets are assets that are held by a long-term employee benefit fund. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

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

Foreign Currency-denominated Transactions

The parent company financial statements are presented in Philippine peso, which is SMPH's functional and presentation currency. Transactions in foreign currencies are initially recorded in the functional currency rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are restated at the functional currency rate of exchange at reporting period. Nonmonetary items denominated in foreign currency are translated using the exchange rates as at the date of initial recognition. All differences are taken to the parent company statement of income.

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Company as Lessor. Leases where the Company does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Rent income from operating leases are recognized as income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Lease Modification. Lease modification is defined as a change in the scope of a lease, or the consideration for a lease, that was not part of the original terms and conditions of the lease (for example, adding or terminating the right to use one or more underlying assets, or extending or shortening the contractual lease term).

A lessor shall account for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease. If a change in lease payments does not meet the definition of a lease modification, that change would generally be accounted for as a negative variable lease payment. In the case of an operating lease, a lessor recognizes the effect of the rent concession by recognizing lower income from leases.

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

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments which includes in substance fixed payments. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the IBR at the lease commencement date. After the commencement date, the amount of lease liabilities is adjusted to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

The Company also recognized ROUA in investment properties (land lease) at the commencement date of the lease (i.e., the date the underlying asset is available for use). The initial cost of ROUA includes the amount of lease liabilities recognized less any lease payments made at or before the commencement date.

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

The Company recognizes deferred tax asset and liability based from the lease liability and ROUA, respectively, on a gross basis, as of balance sheet date.

<u>Provisions</u>
Provisions are recognized when the Company 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 Company 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.

Borrowing Costs

Borrowing costs are capitalized if they are directly attributable to the acquisition or construction of a qualifying asset as part of the cost of that asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use or sale. Borrowing costs are capitalized when it is probable that they will result in future economic benefits to the Company.

The interest capitalized is calculated using the Company's weighted average cost of borrowings after adjusting for borrowings associated with specific developments. Where borrowings are associated with specific developments, the amount capitalized is the gross interest incurred on those borrowings less any investment income arising on the temporary investment of those borrowings. Interest is capitalized from the commencement of the development work until the date of practical completion, i.e., when substantially all of the development work is completed.

Borrowing costs include exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest cost. The Company limits exchange losses taken as amount of borrowing costs to the extent that the total borrowing costs capitalized do not exceed the amount of borrowing costs that would be incurred on functional currency equivalent borrowings. The amount of foreign exchange differences eligible for capitalization is determined for each period separately. Foreign exchange losses that did not meet the criteria for capitalization in previous years are not capitalized in subsequent years. All other borrowing costs are expensed as incurred.

Taxes

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

Current income tax relating to item recognized directly in equity is recognized in equity and not in the profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred Tax. Deferred tax is provided using the balance sheet liability method on temporary differences at the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or 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 taxable temporary differences associated with investments in subsidiaries, associate and interests in joint ventures, where the timing of the reversal of the temporary

differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences and carryforward benefits of excess MCIT and 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 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, associate and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting 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 each reporting period and are recognized to the extent that it has become probable that 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 at reporting period.

Income tax relating to items recognized directly in the parent company statements of comprehensive income is recognized in the parent company statements of comprehensive income and not in the parent company statement 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 the deferred taxes relate to the same taxable entity and the same taxation authority.

VAT. Revenues, expenses and assets are recognized net of the amount of VAT, if applicable.

When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as part of “Accounts payable and other current liabilities” account in the parent company balance sheet. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as part of “Prepaid expenses and other current assets” account in the parent company balance sheet to the extent of the recoverable amount.

Basic/Diluted Earnings Per Common Share (EPS)
Basic EPS is computed by dividing the net income for the period attributable to owners of the Company by the weighted-average number of issued and outstanding common shares during 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 Company and the weighted-average number of issued and outstanding common shares are adjusted for the effects of all dilutive potential ordinary shares, if any.

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

Events after the Reporting Period
Post year-end events that provide additional information about the Company's financial position at the end of the reporting period (adjusting events) are reflected in the parent company financial statements. Post year-end events that are not adjusting events are disclosed in the notes to parent company financial statements when material.

4. Cash and Cash Equivalents

This account consists of:

	2023	2022
	(In Thousands)	
Cash on hand and in banks (see Note 16)	**₱568,436**	₱717,240
Temporary investments (see Note 16)	**3,381,984**	18,106,712
	₱3,950,420	₱18,823,952

Cash in banks earn interest at the respective bank deposit rates. Temporary investments are made for varying periods of up to three months depending on the immediate cash requirements of the Company, and earn interest at the respective temporary investment rates.

Credit risk from balances with banks and financial institutions is managed by the Company's treasury department in accordance with the Company's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. The limits are set to minimize the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure to make payments.

Interest income earned from cash in banks and temporary investments amounted to ₱594 million and ₱395 million for the years ended December 31, 2023 and 2022, respectively (see Notes 16 and 18).

5. **Receivables and Contract Assets**

This account consists of:

	2023	2022
	(In Thousands)	
Trade (billed and unbilled):		
Sale of real estate*	**₱21,656,554**	₱16,112,682
Rent:		
Third parties	**7,508,761**	7,266,164
Related parties (see Note 16)	**3,006,549**	2,867,944
Accrued interest (see Note 16)	**26,816**	44,486
Nontrade and others (see Note 16)	**4,826,919**	3,170,460
	37,025,599	29,461,736
Less allowance for ECL	**623,137**	623,055
	36,402,462	28,838,681
Less noncurrent portion**	**12,170,381**	10,112,503
	₱24,232,081	₱18,726,178

**Includes unbilled revenue from sale of real estate amounting to ₱20,013 million and ₱15,315 million as at December 31, 2023 and 2022, respectively.*
***Pertains to noncurrent portion of unbilled revenue from sale of real estate included under "Other noncurrent assets" account as at December 31, 2023 and 2022.*

The terms and conditions of the above receivables are as follows:

- Trade receivables from tenants are noninterest-bearing and are normally collectible on a 30 to 90 days' term. Trade receivables from sale of real estate pertains to sold real estate inventories at various terms of payments, which are noninterest-bearing

- Accrued interest and other receivables are normally collected throughout the financial period.

Customer credit risk is managed by each business unit subject to the Company's established policies, procedures and controls relating to customer credit risk management. Credit quality of a customer is assessed and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored.

There is no allowance for ECLs on unbilled revenue from sale of real estate as of December 31, 2023 and 2022. The movements in the allowance for ECLs related to receivables from rent are as follows:

	2023	2022
	(In Thousands)	
At beginning of year	**₱623,055**	₱625,987
Provisions (reversals) - net	**82**	(2,932)
At end of year	**₱623,137**	₱623,055

The aging analysis of receivables and unbilled revenue from sale of real estate as at December 31 are as follows:

	2023	2022
	(In Thousands)	
Neither past due nor impaired	**₱31,639,784**	₱25,995,572
Past due:		
Less than 30 days	**593,426**	533,384
31–90 days	**1,280,103**	466,564
91–120 days	**284,006**	972,208
Over 120 days	**2,605,143**	870,953
Impaired	**623,137**	623,055
	₱37,025,599	₱29,461,736

Receivables, except for those that are impaired, are assessed by the Company's management as not impaired, good and collectible.

The transaction price allocated to the remaining performance obligations as at December 31, 2023 and 2022 totaling ₱5,405 million and ₱5,237 million, respectively, is expected to be recognized over the construction period ranging from one to five years.

6. Equity Instruments at FVOCI

This account consists of investments in:

	2023	2022
	(In Thousands)	
Shares of stock:		
Listed (see Note 16)	**₱19,564,896**	₱17,071,883
Unlisted	**3,280**	3,280
	₱19,568,176	₱17,075,163

- Listed shares of stock pertain to investments in publicly-listed companies.
- Unlisted shares of stock pertain to stocks of private corporations.

Dividend income from investments at FVOCI amounted to ₱385 million and ₱425 million for the years ended December 31, 2023 and 2022, respectively (see Note 16).

The movements in the "Net fair value changes of equity instruments at FVOCI" account are as follows:

	2023	2022
	(In Thousands)	
At beginning of year	**₱13,804,247**	₱14,267,924
Unrealized gain (loss) due to changes in fair value	**2,493,012**	(463,677)
At end of year	**₱16,297,259**	₱13,804,247

7. Real Estate Inventories

The movements in this account are as follows:

	Land and Development	Condominium Units for Sale	Total
		(In Thousands)	
Balance as at December 31, 2021	₱7,506,413	₱1,461,338	₱8,967,751
Development cost incurred	3,516,497	–	3,516,497
Reclassifications from investment properties (see Note 9)	87,016	–	87,016
Cost of real estate sold	(2,655,639)	(8,890)	(2,664,529)
Transfers	(320,293)	320,293	–
Balance as at December 31, 2022	8,133,994	1,772,741	9,906,735
Development cost incurred	2,334,833	–	2,334,833
Cost of real estate sold	(2,542,389)	(716,924)	(3,259,313)
Transfers	(870,695)	870,695	–
Balance as at December 31, 2023	**₱7,055,743**	**₱1,926,512**	**₱8,982,255**

Land and development pertains to the Company's on-going residential units and condominium projects. Estimated cost to complete the projects amounted to ₱20,982 million and ₱23,213 million as at December 31, 2023 and 2022, respectively.

Condominium units for sale pertain to completed projects. These are stated at cost as at December 31, 2023.

Contract fulfillment assets mainly pertain to unamortized portion of land cost totaling ₱270 million and ₱365 million as at December 31, 2023 and 2022, respectively.

8. Prepaid Expenses and Other Current Assets

This account consists of:

	2023	2022
	(In Thousands)	
Prepaid taxes and other prepayments	**₱2,890,268**	₱2,227,662
Advances to contractors	**1,133,785**	1,289,048
Input taxes and creditable withholding taxes	**239,165**	1,391,797
Supplies and inventories and others	**191,831**	176,416
	₱4,455,049	₱5,084,923

- Prepaid taxes and other prepayments consist of prepayments for insurance, real property taxes, rent, and other expenses which are normally utilized within the next financial period.

- Advances and deposits pertain to downpayments made to suppliers or contractors to cover preliminary expenses of the contractors in construction projects. The amounts are non-interest bearing and are recouped upon every progress billing payment depending on the percentage of accomplishment. This account also includes construction bonds, rental deposits and deposits for utilities and advertisements.

- Input tax represents VAT paid to suppliers that can be claimed as credit against the future output VAT liabilities without prescription. Creditable withholding tax is the tax withheld by the withholding agents from payments to the Company which can be applied against the income tax payable.

9. **Investment Properties**

The movements in this account are as follows:

	Land and Improvements	Buildings and Leasehold Improvements	Building Equipment, Furniture and Others	ROUA	Construction in Progress	Total
			(In Thousands)			
Cost						
Balance as at December 31, 2021	₱70,112,626	₱192,204,676	₱38,874,832	₱9,215,408	₱51,616,620	₱362,024,162
Additions	2,290,993	699,649	1,339,594	–	12,705,940	17,036,176
Reclassifications (see Note 7)	2,152,970	16,476,229	2,056,295	–	(20,772,510)	(87,016)
Balance as at December 31, 2022	74,556,589	209,380,554	42,270,721	9,215,408	43,550,050	378,973,322
Additions	7,789,434	1,444,679	2,293,471	–	21,371,143	32,898,727
Disposals	–	–	(451,775)	–	–	(451,775)
Reclassifications (see Note 10)	3,328,074	17,147,178	2,116,770	–	(22,999,936)	(407,914)
Balance as at December 31, 2023	₱85,674,097	₱227,972,411	₱46,229,187	₱9,215,408	₱41,921,257	₱411,012,360
Accumulated Depreciation and Amortization						
Balance as at December 31, 2021	₱1,075,316	₱50,079,992	₱25,006,477	₱1,098,855	₱–	₱77,260,640
Depreciation and amortization	121,389	5,766,164	2,497,858	401,365	–	8,786,776
Balance as at December 31, 2022	1,196,705	55,846,156	27,504,335	1,500,220	–	86,047,416
Depreciation and amortization	120,210	6,235,835	3,015,949	401,365	–	9,773,359
Disposals	–	–	(303,783)	–	–	(303,783)
Balance as at December 31, 2023	₱1,316,915	₱62,081,991	₱30,216,501	₱1,901,585	₱–	₱95,516,992
Net Book Value						
As at December 31, 2022	₱73,359,884	₱153,534,398	₱14,766,386	₱7,715,188	₱43,550,050	₱292,925,906
As at December 31, 2023	**₱84,357,182**	**₱165,890,420**	**₱16,012,686**	**₱7,313,823**	**₱41,921,257**	**₱315,495,368**

Rent income from investment properties amounted to ₱53,952 million and ₱43,269 million for the years ended December 31, 2023 and 2022, respectively.

Direct costs and expenses from investment properties which generate rent income amounted to ₱33,592 million and ₱24,840 million for the years ended December 31, 2023 and 2022, respectively.

Construction in progress includes shopping mall complex under construction and landbanking and commercial building constructions amounting to ₱41,921 million and ₱43,550 million as at December 31, 2023 and 2022, respectively.

The outstanding contracts are valued at ₱15,185 million and ₱10,438 million as at December 31, 2023 and 2022, respectively, inclusive of overhead, cost of labor and materials and all other costs necessary for the proper execution of the works.

Interest capitalized to the construction of investment properties amounted to ₱4,641 million and ₱4,790 million for the years ended December 31, 2023 and 2022, respectively. Capitalization rates used were 5.38% and 5.22% for the years ended December 31, 2023 and 2022, respectively.

The most recent fair value of investment properties is determined by an independent appraiser who holds a recognized and relevant professional qualification. The valuation of investment properties was based on market values using income approach and market value approach. The fair value represents the amount at which the assets can be exchanged between a knowledgeable, willing seller and a knowledgeable, willing buyer in an arm's length transaction at the date of valuation, in accordance with International Valuation Standards as set out by the International Valuation Standards Committee.

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

10. Investments and Deposits

This account consists of:

	2023	2022
	(In Thousands)	
Investments and deposits in:		
Subsidiaries	**₱251,125,185**	₱238,366,385
Associate and joint ventures	**28,766,575**	27,112,183
	279,891,760	265,478,568
Due from subsidiaries* (see Notes 16 and 20)	**7,108,283**	5,468,034
	₱287,000,043	₱270,946,602

**Accounted for as financial assets at FVTPL.*

The movements in the investments and deposits account are as follows:

	Subsidiaries	Associate and Joint Ventures	Total
		(In Thousands)	
Balance as at December 31, 2021	₱222,390,978	₱25,888,811	₱248,279,789
Equity in net earnings	10,358,743	1,563,164	11,921,907
Additions	9,105,555	–	9,105,555
Dividends	(3,143,328)	(339,792)	(3,483,120)
Share in OCI	(369,410)	–	(369,410)
Other changes in equity of subsidiary	23,847	–	23,847
Balance as at December 31, 2022	238,366,385	27,112,183	265,478,568
Equity in net earnings	14,903,161	1,914,095	16,817,256
Additions	1,516,712	–	1,516,712
Dividends	(3,343,748)	(259,703)	(3,603,451)
Share in OCI	(353,032)	–	(353,032)
Other changes in equity of subsidiary	35,707	–	35,707
Balance as at December 31, 2023	**₱251,125,185**	**₱28,766,575**	**₱279,891,760**

Subsidiaries

The ownership interests in subsidiaries accounted for under the equity method consist of the following:

Company	Country of Incorporation	Percentage of Ownership 2023	2022
Mall			
A. Canicosa Holdings, Inc.	Philippines	**100.0**	100.0
AD Canicosa Properties, Inc.	- do -	**100.0**	100.0
Associated Development Corporation	- do -	**100.0**	100.0
Britannia Trading Corp. and Subsidiaries	- do -	**100.0**	100.0
CHAS Realty and Development Corporation and Subsidiaries	- do -	**100.0**	100.0
Cherry Realty Development Corporation	- do -	**100.0**	100.0
Consolidated Prime Dev. Corp.	- do -	**100.0**	100.0
Magenta Legacy, Inc.	- do -	**100.0**	100.0
Premier Central, Inc. and Subsidiary	- do -	**100.0**	100.0
Premier Southern Corp.	- do -	**100.0**	100.0
Rushmore Holdings, Inc.	- do -	**100.0**	100.0
Prime Metroestate, Inc. and Subsidiary	- do -	**100.0**	100.0
Prime Commercial Property Management Corp. and Subsidiaries	- do -	**100.0**	100.0
Southernpoint Properties Corp.	- do -	**100.0**	100.0
Supermalls Transport Services, Inc.	- do -	**100.0**	100.0
San Lazaro Holdings Corporation	- do -	**100.0**	100.0
SM Arena Complex Corporation	- do -	**100.0**	100.0
SM Land (China) Limited and Subsidiaries	Hong Kong	**100.0**	100.0
Simply Prestige Limited and Subsidiaries	British Virgin Islands	**100.0**	100.0
Springfield Global Enterprises Limited	- do -	**100.0**	100.0
First Asia Realty Development Corporation	Philippines	**74.2**	74.2
Mindpro Incorporated*	- do -	**70.0**	70.0
First Leisure Ventures Group Inc. (FLVGI)	- do -	**50.0**	50.0
Residential			
SM Development Corporation and Subsidiaries (SMDC)	- do -	**100.0**	100.0
Costa del Hamilo, Inc. and Subsidiary	- do -	**100.0**	100.0
Highlands Prime Inc. and Subsidiary	- do -	**100.0**	100.0

Company	Country of Incorporation	Percentage of Ownership 2023	2022
Commercial			
MOA Esplanade Port, Inc.	Philippines	**100.0**	100.0
Premier Clark Complex, Inc.	- do -	**100.0**	100.0
SM Smart City Infrastructure and Development Corporation	- do -	**100.0**	100.0
Tagaytay Resort Development Corporation	- do -	**100.0**	100.0
Hotels and Convention Centers			
SM Hotels and Conventions Corp. and Subsidiaries	- do -	**100.0**	100.0

**In 2023, the Company infused additional investments without change in their ownership interest.*

FLVGI is accounted for as a subsidiary by virtue of control, as evidenced by the majority members of the BOD representing the Company.

Associate and Joint Ventures

The ownership interests in associate and joint ventures accounted for under the equity method consist of the following:

Company	Country of Incorporation	Percentage of Ownership 2023	2022
Associate			
Ortigas Land Corporation (OLC)	Philippines	**39.96**	39.96
Joint Ventures *(collectively, Waltermart)*			
Winsome Development Corporation	Philippines	**51.0**	51.0
Willin Sales, Inc.	- do -	**51.0**	51.0
Willimson, Inc.	- do -	**51.0**	51.0
Waltermart Ventures, Inc.	- do -	**51.0**	51.0
WM Development, Inc.	- do -	**51.0**	51.0
WM Shopping Center Management Inc.	- do -	**51.0**	51.0

The carrying value of investment in OLC amounted to ₱20,615 million and ₱19,473 million as at December 31, 2023 and 2022, respectively, which consists of its proportionate share in the net assets of OLC and fair value adjustments. The share in profit, net of dividend received amounted to ₱1,142 million and ₱940 million for the years ended December 31, 2023 and 2022, respectively.

The aggregate carrying values of investments in Waltermart amounted to ₱8,152 million and ₱7,639 million as at December 31, 2023 and 2022, respectively. The aggregate share in profit and total comprehensive income, net of dividends received amounted to ₱513 million and ₱283 million for the years ended December 31, 2023 and 2022, respectively.

The Company has no outstanding contingent liabilities or capital commitments related to its investments in associate and joint ventures as at December 31, 2023 and 2022.

11. Accounts Payable and Other Current Liabilities

This account consists of:

	2023	2022
	(In Thousands)	
Trade	**₱31,594,457**	₱25,902,104
Accrued operating expenses:		
Third parties	**3,576,133**	4,244,822
Related parties (see Note 16)	**33,417**	44,460
Liability for purchased land	**2,516,013**	1,772,967
Accrued interest	**1,756,894**	1,954,276
Customers' deposits*	**1,117,302**	1,139,380
Payable to government agencies	**382,972**	336,132
Nontrade	**361,472**	298,000
Lease liabilities	**108,285**	103,566
	₱41,446,945	₱35,795,707

** Includes unearned revenue from sale of real estate amounting to ₱879 million and ₱683 million as at December 31, 2023 and 2022, respectively, out of which ₱357 million and ₱189 million were recognized as revenue in 2023 and 2022, respectively.*

The terms and conditions of the above liabilities follow:

- Trade payables primarily consist of liabilities to suppliers and contractors, which are noninterest-bearing and are normally settled within a 30-day term.

- Accrued operating expenses pertain to accrued selling, general and administrative expenses which are normally settled throughout the financial period. Accrued operating expenses – third parties consist of:

	2023	2022
	(In Thousands)	
Utilities	**₱2,795,117**	₱2,086,981
Marketing, advertising and others	**732,608**	2,089,402
Payable to contractors	**48,408**	68,439
	₱3,576,133	₱4,244,822

  The terms and conditions relating to accrued operating expenses with related parties are further discussed in Note 16.

- Deferred output VAT represents output VAT on unpaid portion of recognized receivable from sale of real estate. This amount is reported as output VAT upon collection of the receivables.

- Lease liabilities included in "Other noncurrent liabilities" amounted to ₱10,186 million and ₱10,314 million as at December 31, 2023 and December 31, 2022, respectively. Interest on lease liabilities included under "Others – net" amounted to ₱270 million and ₱285 million as at December 31, 2023 and December 31, 2022, respectively (see Note 19).

- Retention payable pertains to the amount withheld by the Company from the contractors' progress billings which will be released after the guarantee period. The retention serves as a security from the contractor should there be defects in the project.

- Liability for purchased land, accrued interest, payable to government agencies and nontrade payables are expected to be settled throughout the next financial period.

12. **Long-term Debt**

This account consists of:

	Availment Date	Maturity Date	Weighted Average Interest Rate	Outstanding Balance 2023	2022
				(In Thousands)	
Philippine peso-denominated loans	September 1, 2014 – May 23, 2023	March 1, 2023 - April 22, 2032	Floating BVAL + margin; Fixed - 5.52%	**₱150,332,740**	₱150,222,740
U.S. dollar-denominated loans*	July 30, 2018 – March 29, 2022	June 14, 2023 - March 30, 2026	LIBOR + spread; quarterly in 2022; SOFR + spread quarterly in 2023	**33,222,000**	39,586,050
				183,554,740	189,808,790
Less debt issue cost				**1,239,319**	1,336,777
				182,315,421	188,472,013
Less current portion				**22,194,012**	28,928,014
				₱160,121,409	₱159,543,999

LIBOR – London Interbank Offered Rates
BVAL – Bloomberg Valuation Service
SOFR – Secured Overnight Financing
**Hedged against foreign exchange and interest rate risks using derivative instruments (see Note 21)*

Debt Issue Costs
The movements in unamortized debt issue costs of the Company follows:

	2023	2022
	(In Thousands)	
Balance at beginning of year	**₱1,336,777**	₱1,167,736
Additions	**436,889**	602,841
Amortization	**(534,347)**	(433,800)
Balance at end of year	**₱1,239,319**	₱1,336,777

Amortization of debt issuance costs is recognized in the parent company statements of income under "Others - net" account.

Repayment and Debt Issue Cost Schedule
The repayments of long-term debt are scheduled as follows:

	Gross Loan	Debt Issue Cost	Net
		(In Thousands)	
Within 1 year	₱22,651,700	(₱457,688)	₱22,194,012
More than 1 year to 5 years	130,788,540	(735,685)	130,052,855
More than 5 years	30,114,500	(45,946)	30,068,554
	₱183,554,740	(₱1,239,319)	₱182,315,421

The loan agreements of the Company provide certain restrictions and requirements principally with respect to maintenance of required financial ratios and material change in ownership or control. As at December 31, 2023 and 2022, the Company is in compliance with the terms of its loan covenants.

Interest expense incurred from long-term debt amounted to ₱5,610 million and ₱4,815 million for the years ended December 31, 2023 and 2022, respectively (see Note 18).

13. Equity

Capital Stock
As at December 31, 2023 and 2022, the Company has an authorized capital stock of 40,000 million with a par value of ₱1 a share, of which 33,166 million shares were issued. The Company has 28,879 million outstanding shares as at December 31, 2023 and 2022.

The following summarizes the information on the Company's registration of securities under the Securities Regulation Code:

Date of SEC Approval/ Notification to SEC	Authorized Shares	No. of Shares Issued	Issue/Offer Price
March 15, 1994	10,000,000,000	–	₱–
April 22, 1994	–	6,369,378,049	5.35
May 29, 2007	10,000,000,000	–	–
May 20, 2008	–	912,897,212	11.86
October 14, 2010	–	569,608,700	11.50
October 10, 2013	20,000,000,000	15,773,765,315	19.50

SMPH declared stock dividends in 2012, 2007, 1996 and 1995. The total number of shareholders is 2,330 as at December 31, 2023.

Additional Paid-in Capital – Net

Following represents the nature of the "Additional paid-in capital – net":

	2023	2022
	(In Thousands)	
Paid-in subscriptions in excess of par value	**₱33,331,028**	₱33,331,028
Arising from merger	**28,465,748**	28,465,748
Arising from acquisition of non-controlling interests by a subsidiary	**24,450,773**	24,415,066
As presented in the parent company balance sheets	**₱86,247,549**	₱86,211,842

Retained Earnings

In 2023, the BOD approved the declaration of cash dividend of ₱0.237 per share or ₱6,844 million to stockholders of record as of May 10, 2023, ₱5 million of which was received by SMDC. This was paid on May 24, 2023. In 2022, the BOD approved the declaration of cash dividend of ₱0.097 per share or ₱2,801 million to stockholders of record as of May 11, 2022, ₱2 million of which was received by SMDC. This was paid on May 24, 2022.

As at December 31, 2023 and 2022, the amount of retained earnings appropriated for the corporate and mall expansions amounted to ₱42,200 million. This represents appropriation for land banking activities and planned construction projects for the next two to three years. The appropriation is being fully utilized to cover part of the annual capital expenditure requirement of the Company. Approval of malls expansions and new projects is delegated by the BOD to the Executive Committee of the Company.

For the year 2024, the Company is looking at ₱100,000 million for its capital expenditure program.

The unappropriated retained earnings account is restricted for the payment of dividends to the extent of the accumulated equity in net earnings of subsidiaries, associates and joint ventures and the balance of treasury stock until such time that the Company receives the dividends from its subsidiaries, associates and joint ventures. The unappropriated retained earnings available for dividend declaration amounted to ₱115,550 million and ₱96,642 million as at December 31, 2023 and 2022, respectively.

Treasury Stock

As at December 31, 2023 and 2022, this includes reacquired capital stock totaling 4,287 million shares, stated at acquisition cost of ₱2,614 million.

14. **Income Tax**

The provision for current income tax pertains to RCIT in 2023 and 2022.

The details of the Company's deferred tax assets and liabilities as at December 31 are as follows:

	2023	2022
	(In Thousands)	
Deferred tax assets:		
Lease liabilities and others	**₱1,545,310**	₱1,563,278
Retirement liability	**43,372**	16,214
	1,588,682	1,579,492
Deferred tax liabilities:		
Undepreciated capitalized interest, unrealized foreign exchange gains and others	**(2,412,111)**	(2,329,973)
Unrealized gross profit on sale of real estate	**(1,651,876)**	(1,194,617)
ROUA	**(1,098,304)**	(1,158,509)
	(5,162,291)	(4,683,099)
Deferred tax liabilities - net	**(₱3,573,609)**	(₱3,103,607)

On September 30, 2020, the Bureau of Internal Revenue issued Revenue Regulations No. 25-2020 implementing Section 4 (bbb) of "Bayanihan to Recover As One Act ("Bayanihan Act")" which states that the NOLCO incurred for taxable years 2020 and 2021 can be carried over and claimed as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

The Company has incurred NOLCO in taxable years 2021 and 2020 and were claimed as deduction from the regular taxable income in year 2022.

Year Incurred	Availment Period	Amount	Applied in previous periods	Unapplied
		(In Thousands)		
2021	2022 – 2026	₱690,206	₱690,206	₱–
2020	2021 – 2025	932,387	932,387	–

The carryforward benefits of excess MCIT over RCIT were applied as tax credit against regular corporate income tax payable in 2022 as follows:

Year Paid	Expiry Date	Amount	Applied in previous periods	Unapplied
		(In Thousands)		
2021	2024	₱101,293	₱101,293	₱–
2020	2023	118,085	118,085	–

On June 20, 2023, the Bureau of Internal Revenue issued Revenue Memorandum Circular (RMC) No. 69-2023 reverting the Minimum Corporate Income Tax (MCIT) rate to 2% of gross income effective July 1, 2023 pursuant to Republic Act (RA) No. 11534, otherwise known as the "Corporate Recovery and Tax Incentives for Enterprises (CREATE)" Act. MCIT rate was previously reduced from 2% to 1% effective July 1, 2020 to June 30, 2023 upon the effectivity of CREATE Act in 2021.

The reconciliation between the statutory tax rates and effective tax rates on income before income tax as shown in the parent company statements of income are as follows:

	2023	2022
Statutory tax rate	**25.00%**	25.00%
Income tax effects of:		
Equity in net earnings of subsidiaries, associate and joint ventures	**(9.42)**	(8.70)
Interest income subjected to final tax and dividend income exempt from income tax	**(0.55)**	(0.62)
Nondeductible expenses and others	**(2.31)**	(1.82)
Effective tax rates	**12.72%**	13.86%

15. **Pension Benefits**

The Company has funded defined benefit pension plans covering all regular and permanent employees. The benefits are based on employees' projected salaries and number of years of service. The latest actuarial valuation report is as at December 31, 2023.

The following tables summarize the components of the pension plan as at December 31:

Net Pension Cost (included under "Costs and expenses" account under "Administrative")

	2023	2022
	(In Thousands)	
Current service cost	**₱43,361**	₱47,520
Interest – net	**(1,056)**	(321)
Net pension cost	**₱42,305**	₱47,199

Net Pension Asset (included under "Other noncurrent assets" account) or Net Pension Liability (included under ("Other noncurrent liabilities" account)

	2023	2022
	(In Thousands)	
Fair value of plan assets	**₱679,636**	₱635,446
Defined benefit obligation	**(833,027)**	(626,557)
Effect of asset ceiling limit	–	(345)
Net pension asset (liability)	**(₱153,391)**	₱8,544

The changes in the present value of the defined benefit obligation are as follows:

	2023	2022
	(In Thousands)	
Balance at beginning of year	**₱626,557**	₱651,847
Current service cost	**43,361**	47,520
Interest cost	**42,543**	30,767
Actuarial loss (gain) on:		
Changes in financial assumptions	**128,018**	(45,468)
Experience adjustments	**40,041**	301
Changes in demographic assumptions	**(82)**	(5,535)
Benefits paid	**(43,448)**	(49,781)
Transfer from the plan	**(3,963)**	(3,094)
Balance at end of year	**₱833,027**	₱626,557

The changes in the effect of asset ceiling limit are as follows:

	2023	2022
	(In Thousands)	
Balance at beginning of year	**₱345**	₱166
Interest cost	**24**	8
Remeasurement loss (gain)	**(369)**	171
Balance at end of year	**₱–**	₱345

The changes in the fair value of plan assets are as follows:

	2023	2022
	(In Thousands)	
Balance at beginning of year	**₱635,446**	₱658,276
Contributions	**61,427**	53,953
Interest income	**43,623**	31,096
Transfer from the plan	**(3,963)**	(3,094)
Benefits paid	**(43,448)**	(49,781)
Remeasurement loss	**(13,449)**	(55,004)
Balance at end of year	**₱679,636**	₱635,446

The carrying amounts of the plan assets below equal to its fair values as at December 31, 2023 and 2022.

	2023	2022
	(In Thousands)	
Cash and cash equivalents	**₱3,326**	₱5,438
Investments in:		
Government securities	**364,367**	278,738
Common trust funds	**237,019**	236,461
Debt and other securities	**69,902**	109,302
Equity securities	–	2,378
Other financial assets	**5,022**	3,129
	₱679,636	₱635,446

The plan assets consist of the following:

- Cash and cash equivalents include regular savings and time deposits;
- Investments in common trust funds pertain to unit investment trust fund;
- Investments in government securities consist of retail treasury bonds which bear interest based on prevailing market rates and have maturities ranging from 2024 to 2033;
- Investments in debt and other securities consist of short-term and long-term corporate loans, notes and bonds which bear interest based on prevailing market rates and have maturities ranging from 2024 to 2029;
- Investments in equity securities consist of listed and unlisted equity securities; and
- Other financial assets include accrued interest income on cash deposits held by the Retirement Plan.

Debt and other securities, equity securities and government securities have quoted prices in active market. The remaining plan assets do not have quoted market prices in active market.

The plan assets have diverse instruments and do not have any concentration of risk.

The following table summarizes the outstanding balances and transactions of the pension plan as at and for the years ended December 31:

	2023	2022
	(In Thousands)	
Cash and cash equivalents	**₱3,326**	₱5,438
Interest income from cash and cash equivalents	**426**	28
Investments in common trust funds	**237,019**	236,461
Gain (loss) from investments in common trust funds	**13,686**	(27,287)

The principal assumptions used in determining pension obligations for the Company's plan are shown below:

	2023	2022
Discount rate	**6.3%**	6.8%
Future salary increases	**10.0%**	6.0%

Remeasurement effects recognized in OCI at December 31 follow:

	2023	2022
	(In Thousands)	
Actuarial gain	**₱181,057**	₱4,473
Income tax effect	**(27,158)**	(671)
	₱153,899	₱3,802

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as at December 31, 2023 and 2022, respectively, assuming all other assumptions were held constant:

	Increase (Decrease) in Basis Points	Increase (Decrease) in Defined Benefit Obligation
2023		*(In Thousands)*
Discount rates	**50**	**(₱33,397)**
	(50)	**37,343**
Future salary increases	**100**	**35,656**
	(100)	**(32,598)**
2022		
Discount rates	50	(₱19,003)
	(50)	20,834
Future salary increases	100	20,791
	(100)	(19,313)

The Company and the pension plan have no specific matching strategies between the pension plan assets and the defined benefit obligation under the pension plan.

Shown below is the maturity analysis of the undiscounted benefit payments as at December 31, 2023 and 2022, respectively:

Year 2023	**Amount**
	(In Thousands)
2024	**₱473,158**
2025	**64,132**
2026-2027	**100,247**
2028-2033	**429,531**

Year 2022	Amount
	(In Thousands)
2023	₱419,304
2024	42,702
2025-2026	100,080
2027-2032	272,706

The Company expects to contribute about ₱69 million to its defined benefit pension plan in 2024.

The weighted average duration of the defined benefit obligation is 4.3 years and 3.2 years as of December 31, 2023 and 2022, respectively.

16. Related Party Transactions

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. Related parties may be individuals or corporate entities.

Terms and Conditions of Transactions with Related Parties
There have been no guarantees/collaterals provided or received for any related party receivables or payables. For the years ended December 31, 2023 and 2022, the Company has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each financial period through examining the financial position of the related party and the market in which the related party operates. Settlement of the outstanding balances normally occurs in cash. The Company has approval process and established limits when entering into material related party transactions.

The significant related party transactions entered into by the Company with its related parties and the amounts included in the parent company financial statements with respect to such transactions follow:

	Amount of Transactions		Outstanding Amount [Asset (Liability)]			
	2023	2022	**2023**	2022	Terms	Conditions
		(In Thousands)				
Ultimate Parent						
Rent income	**₱69,449**	₱64,092	**₱–**	₱–		
Rent receivable	**–**	–	**7,899**	7,396	Non-interest bearing	Unsecured; not impaired
Other revenue	**31,200**	31,200	**–**	–		
Other receivable	–	–	**2,912**	2,912	Non-interest bearing	Unsecured; not impaired
Rent expense	**125,535**	105,717	**–**	–		
Management and service fee expense	**1,334**	1,334	**–**	–		
Dividend income	**1,096**	913	**–**	–		
Equity instruments at FVOCI	**–**	–	**127,403**	131,494	Non-interest bearing	Unsecured; not impaired
Subsidiaries						
Rent income	**114,254**	94,552	**–**	–		
Rent receivable	**–**	–	**87,978**	69,120	Non-interest bearing	Unsecured; not impaired
Rent expense	**53,211**	56,211	**–**	–		
Management and service fee expense	**2,421,396**	1,796,579	–	–		
Accrued management and service fee	**–**	–	**(33,142)**	(44,184)	Non-interest bearing	Unsecured; not impaired
Banking and Retail Group Affiliates						
Cash and cash equivalents	**2,843,556,231**	2,341,812,247	**3,528,566**	18,417,231	Interest rates based on prevailing rates	Unsecured; not impaired
Rent income	**14,787,688**	12,617,854	**–**	–		
Rent receivable	**–**	–	**2,867,896**	2,756,874	Non-interest bearing	Unsecured; not impaired
Interest income	**595,260**	427,882	**–**	–		
Accrued interest receivable	**–**	–	**16,589**	34,391	Non-interest bearing	Unsecured; not impaired
Time deposits	**–**	1,512,702	**566,608**	2,069,934	Interest bearing	Unsecured; not impaired
Management and service fee expense	**6,502**	8,786	**–**	–		
Accrued management and service fee	**–**	–	**(275)**	(276)	Non-interest bearing	Unsecured; not impaired
Dividend income	**324,088**	203,455	**–**	–		
Equity instruments at FVOCI	**–**	–	**14,097,820**	11,418,694	Non-interest bearing	Unsecured; not impaired
Other Related Parties						
Rent income	**244,649**	169,975	**–**	–		
Rent receivable	**–**	–	**42,776**	34,554	Non-interest bearing	Unsecured; not impaired
Rent expense	**9,978**	6,830	**–**	–		

Due from related parties amounted to ₱7,108 million and ₱5,468 million as at December 31, 2023 and 2022, respectively, which are due on demand, noninterest-bearing and are not impaired. The amount of transactions with related parties amounted to ₱1,640 million and ₱1,556 million for the years ended December 31, 2023 and 2022, respectively.

Affiliate refers to an entity that is neither a parent, subsidiary, nor an associate, with stockholders common to the SM Group or under common control.

Below are the nature of the Company's transactions with the related parties:

Rent
The Company has existing lease agreements for office and commercial spaces with related companies (retail and banking group and other related parties).

Management and Service Fees
The Company pays management and service fees to certain subsidiaries for the operation, maintenance and administration of the offices, malls, and hotels.

Dividend Income
The Company's equity instruments at FVOCI of certain affiliates earn income upon the declaration of dividends by the investees.

Cash Placements and Loans
The Company has certain bank accounts and cash placements that are maintained with the banking group. Such accounts earn interest based on prevailing market interest rates (see Note 4).

Compensation of Key Management Personnel
The aggregate compensation and benefits related to key management personnel for the years ended December 31, 2023 and 2022 consist of short-term employee benefits amounting to ₱266 million and ₱264 million, respectively, and post-employment benefits (pension benefits) amounting to ₱36 million and ₱41 million, respectively.

17. **Other Revenue**

Details of other revenue follows:

	2023	2022
	(In Thousands)	
Cinema and event ticket sales	**₱2,926,336**	₱1,782,123
Merchandise sales	**2,542,000**	391,920
Food and beverages	**2,020,401**	1,535,368
Amusement income	**1,324,424**	1,085,563
Bowling and ice skating fees	**308,697**	262,499
Advertising income	**40,837**	12,865
Others (Note 16)	**1,040,817**	586,003
	₱10,203,512	₱5,656,341

Others include service fees, parking terminal, sponsorships, commissions and membership revenue.

18. **Interest Income and Interest Expense**

The details of the sources of interest income and interest expense follow:

	2023	2022
	(In Thousands)	
Interest income on:		
Cash and cash equivalents (see Note 4)	**₱594,306**	₱394,920
Time deposits	**1,746**	20,090
Others	**12,543**	20,352
	₱608,595	₱435,362
Interest expense on:		
Long-term debt (see Note 12)	**₱5,609,661**	₱4,815,381
Loans payable	**37,500**	–
	₱5,647,161	₱4,815,381

19. **Lease Agreements**

Company as Lessor

The Company's lease agreements with its mall and commercial tenants are generally granted for a term of one year, with the exception of some of the larger tenants operating nationally, which are granted initial lease terms of 5 years for mall tenants and 2 to 20 years for commercial property tenants, renewable on an annual basis thereafter. At the inception of the lease agreement, tenants are required to pay certain amounts of deposits. At the termination of the lease contracts, the deposits received by the Company are returned to tenants, reduced by unpaid rental fees, penalties and/or deductions from repairs of damaged leased properties, if any. Tenants likewise pay either a fixed monthly rent, which is calculated with reference to a fixed sum per square meter of area leased, or pay rent on a percentage rental basis, which comprises of a basic monthly amount and a percentage of gross sales or a minimum set amount, whichever is higher.

The Company's future minimum rent receivables for the noncancellable portions of the operating leases follow:

	2023	2022
	(In Thousands)	
Within one year	**₱6,311,967**	₱6,100,076
After one year but not more than five years	**10,974,649**	10,136,642
After more than five years	**6,717,996**	6,874,815
	₱24,004,612	₱23,111,533

Rent income amounted to ₱53,952 million and ₱43,269 million for the years ended December 31, 2023 and 2022, respectively.

Company as Lessee

The Company also leases certain parcels of land where some of its malls are situated or constructed. The terms of the lease are for periods ranging from 5 to 50 years, renewable for the same period under the same terms and conditions. Rent payments are generally computed based on a certain percentage of the Company's gross rent income or a certain fixed amount, whichever is higher.

Amounts recognized in the parent company statements of income:

	2023	2022
	(In Thousands)	
Depreciation expense on ROUA (see Note 9)	**₱401,365**	₱401,365
Interest expense on lease liabilities (see Note 11)	**269,891**	284,578
Rent expense	**1,175,611**	1,001,771
	₱1,846,867	₱1,687,714

The maturity analysis of the undiscounted lease payments as at December 31, 2023 and 2022, respectively, are presented in Note 20 to the parent company financial statements.

20. **Financial Risk Management Objectives and Policies**

The Company's principal financial instruments, other than derivatives, comprise of cash and cash equivalents, accrued interest and other receivables, equity instruments at FVOCI and bank loans. The main purpose of these financial instruments is to finance the Company's operations. The Company has other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The Company also enters into derivative transactions, principally, foreign exchange forward swaps, cross currency swaps, interest rate swaps and non-deliverable forwards. The purpose is to manage the interest rate and foreign currency risks arising from the Company's operations and its sources of finance (see Note 21).

The main risks arising from the Company's financial instruments are interest rate risk, foreign currency risk, credit risk, liquidity risk and equity price risk. The Company's BOD and management review and agree on the policies for managing each of these risks and they are summarized in the following tables.

Interest Rate Risk

The Company's policy is to manage its interest cost using a mix of fixed and floating rate debts. To manage this mix in a cost-efficient manner, it enters into interest rate swaps, in which the Company agrees to exchange, at specified intervals, the difference between fixed and floating rate interest amounts calculated by reference to an agreed-upon notional principal amount. These swaps are designated to economically hedge underlying debt obligations. As at December 31, 2023 and 2022, after taking into account the effect of interest rate swaps, approximately 94% and 91%, respectively, of its long-term borrowings are at a fixed rate of interest (see Note 21).

The following tables set out the carrying amount, by maturity, of the Company’s long-term financial liabilities that are exposed to interest rate risk as at December 31, 2023 and 2022:

	2023					
	Interest Rate	**1–<2 Years**	**2–<3 Years**	**3–<4 Years**	**4–<5 Years**	**Total**
				(In Thousands)		
U.S. dollar-denominated loans	**SOFR + spread**	–	–	**$200,000**	–	**₱11,074,000**
Less debt issue cost						**147,166**
						₱10,926,834

	2022					
	Interest Rate	1–<2 Years	2–<3 Years	3–<4 Years		Total
				(In Thousands)		
Philippine peso-denominated loans	BVAL+margin%	₱5,640,000	₱–	₱–	₱–	₱5,640,000
U.S. dollar-denominated loans	LIBOR + spread	–	–	–	$200,000	11,151,000
						16,791,000
Less debt issue cost						212,182
						₱16,578,818

Interest Rate Risk Sensitivity Analysis. The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Company's income before income tax.

	Increase (Decrease) in Basis Points	Effect on Income before Income Tax
		(In Thousands)
2023	**100**	**(₱10,970)**
	50	**(5,485)**
	(100)	**10,970**
	(50)	**5,485**
2022	100	(₱10,014)
	50	(5,007)
	(100)	10,014
	(50)	5,007

Fixed rate debts, although subject to fair value interest rate risk, are not included in the sensitivity analysis as these are carried at amortized costs. The assumed movement in basis points for interest rate sensitivity analysis is based on currently observable market environment, showing a significantly higher volatility as in prior years.

<u>Foreign Currency Risk</u>
Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company's policy is to manage its foreign currency risk mainly from its debt issuances which are denominated in U.S. dollars by entering into foreign currency swap contracts, cross currency swaps and non-deliverable forwards aimed at reducing and/or managing the adverse impact of changes in foreign exchange rates on financial performance and cash flow.

The Company's foreign currency-denominated monetary assets amounted to US$18 million (₱979 million) as at December 31, 2023 and US$104 million (₱5,811 million) as at December 31, 2022.

In translating the foreign currency-denominated monetary assets and liabilities to peso amounts, the exchange rates used were ₱55.37 to US$1.00 and ₱55.76 to US$1.00, the Philippine peso to U.S. dollar exchange rate as at December 31, 2023 and 2022, respectively.

Foreign Currency Risk Sensitivity Analysis. The following table demonstrates the sensitivity to a reasonably possible change in U.S. dollar to Philippine peso exchange rate, with all other variables held constant, of the Company's income before income tax (due to changes in the fair value of monetary assets, including the impact of derivative instruments). There is no impact on the Company's equity.

	Appreciation (Depreciation) of $	Effect on Income before Income Tax
		(In Thousands)
2023	**1.50**	**₱26,512**
	1.00	**17,674**
	(1.50)	**(26,512)**
	(1.00)	**(17,674)**

	Appreciation (Depreciation) of $	Effect on Income before Income Tax
		(In Thousands)
2022	1.50	₱27,188
	1.00	18,125
	(1.50)	(27,188)
	(1.00)	(18,125)

Liquidity Risk

Liquidity risk arises from the possibility that the Company may encounter difficulties in raising funds to meet commitments from financial instruments or that a market for derivatives may not exist in some circumstance.

The Company seeks to manage its liquidity profile to be able to finance capital expenditures and service maturing debts. To cover its financing requirements, the Company intends to use internally generated funds and proceeds from debt and equity issues.

As part of its liquidity risk management program, the Company regularly evaluates its projected and actual cash flow information and continuously assesses conditions in the financial markets for opportunities to pursue fund-raising initiatives. These initiatives may include bank loans and debt capital and equity market issues.

The Company's financial assets, which have maturities of less than 12 months and used to meet its short-term liquidity needs are cash and cash equivalents amounting to ₱3,950 million as at December 31, 2023 and ₱18,824 million as at December 31, 2022 (see Note 4). The Company also has readily available credit facility with banks and affiliates to meet its long-term financial liabilities.

The tables below summarize the maturity profile of the Company's financial liabilities based on the contractual undiscounted payments as at December 31:

	2023			
	Within 1 Year	**More than 1 Year to 5 Years**	**More than 5 Years**	**Total**
		(In Thousands)		
Accounts payable and other current liabilities*	**₱39,816,322**	**₱–**	**₱–**	**₱39,816,322**
Long-term debt (including current portion and interest)	**32,328,216**	**151,692,318**	**32,202,149**	**216,222,683**
Derivative liabilities	**–**	**150,193**	**–**	**150,193**
Tenants' deposits**	**–**	**19,180,231**	**–**	**19,180,231**
Liability for purchased land - net of current portion	**–**	**129,915**	**–**	**129,915**
Lease liabilities	**669,482**	**2,663,270**	**20,349,465**	**23,682,217**
Other noncurrent liabilities***	**–**	**5,858,031**	**–**	**5,858,031**
	₱72,814,020	**₱179,673,958**	**₱52,551,614**	**₱305,039,592**

	2022			
	Within 1 Year	More than 1 Year to 5 Years	More than 5 Years	Total
		(In Thousands)		
Accounts payable and other current liabilities*	₱34,478,428	₱–	₱–	₱34,478,428
Long-term debt (including current portion and interest)	38,740,032	148,964,795	37,308,017	225,012,844
Derivative liabilities	–	77,229	–	77,229
Tenants' deposits**	–	17,962,967	–	17,962,967
Liability for purchased land - net of current portion	–	398,198	–	398,198
Lease liabilities	651,615	2,684,627	20,982,336	24,318,578
Other noncurrent liabilities***	–	3,834,195	–	3,834,195
	₱73,870,075	₱173,922,011	₱58,290,353	₱306,082,439

**Excluding nonfinancial liabilities and lease liabilities totaling to ₱1,631 million and ₱1,317 million as at December 31, 2023 and 2022, respectively.*
***Excluding residential customers' deposits amounting to ₱71 million and ₱9 million as at December 31, 2023 and 2022, respectively.*
****Excluding nonfinancial liabilities and lease liabilities totaling to ₱10,338 million and ₱10,314 million as at December 31, 2023 and 2022, respectively.*

Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments (see Notes 4, 5 and 6).

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets. The fair values of these financial assets are disclosed in Note 21. For receivables from real estate sale, the title of the real estate property is only transferred to the customer if the consideration had been fully paid. In case of default, after enforcement activities, the Company has the right to cancel the sale and enter into another contract to sell to another customer after certain proceedings (e.g. grace period, referral to legal, cancellation process, reimbursement of previous payments) had been completed. Given this, based on the experience of the Company, the maximum exposure to credit risk at the reporting date is nil considering that fair value less cost to repossess of the real estate projects is higher than the exposure at default. The Company evaluates the concentration of risk with respect to trade receivables and unbilled revenue from sale of real estate as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets.

As at December 31, 2023 and 2022, the financial assets, except for certain receivables, are generally viewed by management as good and collectible considering the credit history of the counterparties (see Note 5). Past due or impaired financial assets are very minimal in relation to the Company's total financial assets.

Credit Quality of Financial Assets. The credit quality of financial assets is managed by the Company using high quality and standard quality as internal credit ratings.

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

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

As at December 31, 2023 and 2022, the credit quality of the Company's financial assets is as follows:

	2023			
	Neither Past Due Nor Impaired			
	High Quality	**Standard Quality**	**Past Due**	**Total**
		(In Thousands)		
Financial assets at amortized cost				
Cash and cash equivalents*	**₱3,873,404**	**₱–**	**₱–**	**₱3,873,404**
Receivables **	**61,019**	**11,567,076**	**4,762,679**	**16,390,774**
Time deposits (included under "Other noncurrent assets")	**566,608**	**–**	**–**	**566,608**
Financial assets at FVTPL				
Derivative assets	**2,080,879**	**–**	**–**	**2,080,879**
Due from subsidiaries (included under "Investments and deposits")	**7,108,283**	**–**	**–**	**7,108,283**
Financial assets at FVOCI				
Equity instruments	**19,564,896**	**3,280**	**–**	**19,568,176**
	₱33,255,089	**₱11,570,356**	**₱4,762,679**	**₱49,588,124**

**Excluding cash on hand amounting to ₱77 million.*
***Excluding nonfinancial assets amounting to ₱7,841 million.*

	2022			
	Neither Past Due Nor Impaired			
	High Quality	Standard Quality	Past Due	Total
		(In Thousands)		
Financial assets at amortized cost				
Cash and cash equivalents*	₱18,772,375	₱–	₱–	₱18,772,375
Receivables **	44,486	10,633,850	2,843,109	13,521,445
Time deposits (included under "Other noncurrent assets")	2,069,934	–	–	2,069,934
Financial assets at FVTPL				
Derivative assets	3,436,804	–	–	3,436,804
Due from subsidiary (included under "Investments and deposits ")	5,468,034	–	–	5,468,034
Financial assets at FVOCI				
Equity instruments	17,071,883	3,280	–	17,075,163
	₱46,863,516	₱10,637,130	₱2,843,109	₱60,343,755

**Excluding cash on hand amounting to ₱52 million.*
***Excluding nonfinancial assets amounting to ₱5,205 million.*

Equity Price Risk

Equity price risk arises from the changes in the levels of equity indices and the value of individual stocks traded in the stock exchange.

As a policy, management monitors its equity price risk pertaining to its investments in quoted equity securities which are classified as equity instruments designated at FVOCI based on market expectations. Material equity investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by management.

The effect on equity after income tax (as a result of change in fair value of equity instruments at FVOCI as at December 31, 2023 and 2022) due to a possible change in equity indices, based on historical trend of PSE index, with all other variables held constant is as follows:

	2023	
	Change in Equity Price	**Effect on Equity**
	(In Thousands)	
Equity instruments at FVOCI	**+1.63%**	**₱335,831**
	-1.63%	**(335,831)**

	2022	
	Change in Equity Price	Effect on Equity
	(In Thousands)	
Equity instruments at FVOCI	+2.43%	₱391,584
	-2.43%	(391,584)

Capital Management
Capital includes equity attributable to the owners of the Parent.

The primary objective of the Company'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 Company manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, payoff existing debts, return capital to shareholders or issue new shares.

The Company monitors capital using the following gearing ratios as at December 31:

Net Interest-bearing Debt to Total Capital plus Net Interest-bearing Debt

	2023	2022
	(In Thousands)	
Current portion of long-term debt	**₱22,194,012**	₱28,928,014
Long-term debt - net of current portion	**160,121,409**	159,543,999
Cash and cash equivalents	**(3,950,420)**	(18,823,952)
Total net interest-bearing debt (a)	**178,365,001**	169,648,061
Total equity	**439,673,716**	406,520,176
Total net interest-bearing debt and stockholders' equity (b)	**₱618,038,717**	₱576,168,237
Gearing ratio (a/b)	**29%**	29%

21. Financial Instruments

Fair Values

The following table sets forth the carrying values and estimated fair values of financial assets and liabilities and nonfinancial assets, by category and by class, other than those whose carrying values are reasonable approximations of fair values, as at December 31:

	December 31, 2023				
	Carrying Value	**Fair Value**	**Level 1**	**Level 2**	**Level 3**
			(In Thousands)		
Financial Assets					
Financial assets at FVTPL:					
Derivative assets	**₱2,080,879**	**₱2,080,879**	**₱–**	**₱2,080,879**	**₱–**
Due from subsidiaries	**7,108,283**	**7,108,283**	**–**	**–**	**7,108,283**
Financial assets at amortized cost:					
Time deposits (included under "Other noncurrent assets")	**566,608**	**566,608**	**–**	**566,608**	**–**
Financial assets at FVOCI:					
Equity instruments	**19,568,176**	**19,568,176**	**19,564,896**	**–**	**3,280**
Nonfinancial Assets* (see Note 9)	**315,495,368**	**1,399,325,757**	**–**	**–**	**1,399,325,757**
	₱344,819,314	**₱1,428,649,703**	**₱19,564,896**	**₱2,647,487**	**₱1,406,437,320**
Financial Liabilities					
Financial liabilities at FVTPL:					
Derivative liabilities	**₱150,193**	**₱150,193**	**₱–**	**₱150,193**	**₱–**
Loans and borrowings:					
Liability for purchased land - net of current portion	**129,915**	**127,806**	**–**	**–**	**127,806**
Long-term debt - net of current portion	**160,121,410**	**155,170,172**	**–**	**–**	**155,170,172**
Tenants' deposits**	**19,180,231**	**18,868,900**	**–**	**–**	**18,868,900**
Other noncurrent liabilities***	**5,858,031**	**5,762,944**	**–**	**–**	**5,762,944**
	₱185,439,780	**₱180,080,015**	**₱–**	**₱150,193**	**₱179,929,822**

**Consists of investment properties.*
***Excluding residential customers' deposits amounting to ₱71 million*
****Excluding lease liabilities amounting to ₱10,186 million.*

	December 31, 2022				
	Carrying Value	Fair Value	Level 1	Level 2	Level 3
			(In Thousands)		
Financial Assets					
Financial assets at FVTPL:					
Derivative assets	₱3,436,804	₱3,436,804	₱–	₱3,436,804	₱–
Due from subsidiaries	5,468,034	5,468,034	–	–	5,468,034
Financial assets at amortized cost:					
Time deposits (included under "Other noncurrent assets")	2,069,934	2,069,934	–	2,069,934	–
Financial assets at FVOCI:					
Equity instruments	17,075,163	17,075,163	17,071,883	–	3,280
Nonfinancial Assets* (see Note 9)	292,925,906	1,367,286,721	–	–	1,367,286,721
	₱320,975,841	₱1,395,336,656	₱17,071,883	₱5,506,738	₱1,372,758,035
Financial Liabilities					
Financial liabilities at FVTPL:					
Derivative liabilities	₱77,229	₱77,229	₱–	₱77,229	₱–
Loans and borrowings:					
Liability for purchased land - net of current portion	398,198	385,008	–	–	385,008
Long-term debt - net of current portion	159,543,999	150,810,645	–	–	150,810,645
Tenants' deposits**	17,962,967	17,367,973	–	–	17,367,973
Other noncurrent liabilities***	3,834,195	3,707,192	–	–	3,707,192
	₱181,816,588	₱172,348,047	₱–	₱77,229	₱172,270,818

** Consists of investment properties.*
***Excluding residential customers' deposits amounting to ₱9 million*
**** Excluding lease liabilities amounting to ₱10,314 million.*

<u>Fair Value Hierarchy</u>
The Company uses the fair value hierarchy discussed in Note 3 for determining and disclosing the fair value of financial instruments.

During the years ended December 31, 2023 and 2022, there were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurements.

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

Derivative Instruments. The fair values are based on quotes obtained from counterparties.

Time Deposits. The fair values are based on the discounted value of future cash flows using the prevailing market rates.

Equity Instruments at FVOCI. The fair value of investments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business at reporting date.

Long-term Debt. Fair value is based on the following:

Debt Type	Fair Value Assumptions
Fixed Rate Loans	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 is based on the prevailing market rate as at December 31, 2023 and 2022.
Variable Rate Loans	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.

Tenants' Deposits, Liability for Purchased Land and Other Noncurrent Liabilities. The estimated fair values are based on the discounted value of future cash flows using the applicable rates. The discount rates used range from 6.90% to 6.91% as at December 31, 2023 and 6.20% to 6.94% as at December 31, 2022.

The Company assessed that the carrying values of cash and cash equivalents, receivables and accounts payable and other current liabilities approximate their fair values due to the short-term nature and terms of maturities of these financial instruments.

There were no financial instruments subject to an enforceable master netting arrangement that were not set-off in the balance sheets.

Nonfinancial Assets. The significant assumptions used in the most recent valuation as at December 31, 2021 are discount rates of 8.00% to 9.00% and average growth rate of 5.00%, respectively. Fair values based on market approach were assessed using sales comparison of similar asset. As at December 31, 2023 and 2022, management believes that the fair values from the most recent valuation did not change significantly and the carrying values of additions to investment properties subsequent to the most recent valuation date would approximate their fair values.

Derivative Instruments Accounted for as Cash Flow Hedges

As at December 31, 2023 and 2022, the Company has outstanding arrangements to hedge both foreign currency and interest rate exposure on its foreign currency denominated debts. Details as follow:

			December 31, 2023			
	Notional Amount	**Agreed Equivalent**	**Fair Value**	**US$ Swap Rate**	**Interest Rate**	**Maturity**
		(In Thousands)				
Foreign Exchange Forward Swaps	$600,000	₱33,612,405	₱103,186	₱54.15 - ₱60.39	–	2024-2026
Interest Rate Swaps	$400,000	–	1,827,500	–	2.28% - 2.46%	2026
			₱1,930,686			

			December 31, 2022			
	Notional Amount	Agreed Equivalent	Fair Value	US$ Swap Rate	Interest Rate	Maturity
		(In Thousands)				
Cross Currency Swaps	$110,000	₱5,865,700	₱275,986	₱53.32 - ₱53.33	6.37% - 6.39%	2023
Foreign Exchange Forward Swap	$515,000	28,802,155	631,746	₱54.15 - ₱60.39	–	2024-2026
Interest Rate Swap	$400,000	–	2,451,843	–	2.28% - 2.46%	2026
			₱3,359,575			

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

The net movements in fair value of all derivative instruments are as follows:

	2023	2022
	(In Thousands)	
Balance at beginning of year	**₱3,359,575**	₱545,708
Net changes in fair value during the year*	**(1,697,823)**	3,505,891
Fair value of settled derivatives	**268,934**	(692,024)
Balance at end of year	**₱1,930,686**	₱3,359,575

**Includes fair value changes in OCI.*

22. **EPS Computation**

Basic/diluted EPS is computed as follows:

	2023	2022
	(In Thousands, Except Per Share Data)	
Net income	**₱38,948,383**	₱29,499,895
PAS 27 adjustments	**1,062,118**	599,904
Net income attributable to equity holders of SMPH (a)	**₱40,010,501**	₱30,099,799
Common shares issued at beginning of year	**33,166,300**	33,166,300
Less weighted average number treasury stock (see Note 13)*	**4,309,888**	4,309,888
Weighted average number of common shares outstanding (b)	**28,856,412**	28,856,412
Earnings per share (a/b)	**₱1.387**	₱1.043

**Includes shares held by a subsidiary totaling to 23 million.*

23. **Segment Information**

For management purposes, the Company is organized into business units based on their products and services, and has four reportable operating segments as follows: mall, residential, commercial and hotels and convention centers.

Mall segment develops, conducts, operates and maintains the business of modern commercial shopping centers and all businesses related thereto such as the conduct, operation and maintenance of shopping center spaces for rent, amusement centers, and cinema theaters within the compound of the shopping centers.

Residential and commercial segments are involved in the development and transformation of major residential, commercial, entertainment and tourism districts through sustained capital investments in buildings and infrastructure.

Hotels and convention centers segment engages in and carry on the business of hotel and convention centers and operates and maintains any and all services and facilities incident thereto.

Management, through the Executive Committee, monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with the operating profit or loss in the financial statements.

The amount of segment assets and liabilities and segment profit or loss are based on measurement principles that are similar to those used in measuring the assets and liabilities and profit or loss in the financial statements, which is in accordance with PFRS.

The Company disaggregates its revenue information in the same manner as it reports its segment information.

There were no other trends, events or uncertainties that have had or that are reasonably expected to have a material impact on net sales or revenues or income from continuing operations.

The detailed disclosures on operating segment are included in the Company's consolidated financial statements.

24. Changes in Liabilities Arising from Financing Activities

Movements in long-term debt, loans payable and lease liabilities accounts are as follows (see Notes 11 and 12):

	2023			2022	
	Long-term debt	**Lease liabilities**	**Loans payable**	Long-term debt	Lease liabilities
Balance at beginning of year	**₱188,472,013**	**₱10,417,614**	**₱–**	₱174,994,394	₱10,508,667
Availments	**38,300,000**	**–**	**9,000,000**	40,415,000	–
Payments – net	**(44,245,942)**	**(123,518)**	**(9,000,000)**	(30,861,541)	(91,053)
Others	**(210,650)**	**–**	**–**	3,924,160	–
Balance at end of year	**₱182,315,421**	**₱10,294,096**	**₱–**	₱188,472,013	₱10,417,614

There are no non-cash changes in accrued interest and dividends payable. Others include foreign currency revaluation.

REPUBLIC OF THE PHILIPPINES)
TAGUIG CITY) S.S.

CERTIFICATION

I, **ELMER B. SERRANO**, of legal age, Filipino, and with office address at 1105 Tower 2 High Street South Corporate Plaza 26th Street Bonifacio Global City, Taguig City, after being duly sworn in accordance with law, hereby depose and state that:

1. I am the Corporate Secretary of **SM Prime Holdings, Inc.** (the **Corporation**), a corporation organized and existing under and by virtue of the laws of the Philippines, with office address at 7/F MOA Square, Seashell Lane cor. Coral Way, Mall of Asia Complex, Brgy. 76, Zone 10, CBP-1-A, 1300 Pasay City, Metro Manila, Philippines.

2. There is no director, independent director, or officer of the Corporation named in the Information Statement (SEC Form 20-IS) has been elected or appointed to and is presently occupying a position in any government agency, bureau, department, or office. We note that Atty. Darlene Marie B. Berberabe, Independent Director is currently affiliated with the University of the Philippines College of Law as its Dean since 30 November 2023.

3. I am issuing this Certificate in compliance with the requirement of the Securities and Exchange Commission.

IN WITNESS WHEREOF, I have hereunto affixed my signature on this MAR 06 2024 in Taguig City.

ELMER B. SERRANO
Corporate Secretary

SUBSCRIBED AND SWORN to before me this MAR 06 2024 in Taguig City, affiant exhibited to me his Tax Identification No. [redacted]

Doc No. 101;
Page No. 22;
Book No. II;
Series of 2024.

JESSE JOHN M. HERMOSO
Appointment No. 132 (2023-2024)
Notary Public for Taguig City
Until December 31, 2024
Attorney's Roll No. 83148
1105 Tower 2 High Street South Corporate Plaza
26th Street, Bonifacio Global City, Taguig City
PTR Receipt No. A-6104223; 01-03-24; Taguig City
IBP Receipt No. 398768; 01-04-24; Pasig City

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **AMANDO M. TETANGCO, JR**. Filipino, of legal age and a resident of [redacted] after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director (ID) of **SM Prime Holdings, Inc.**

2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
SM Investments Corporation (PLC)	Chairman	June 2023 to present
Shell Pilipinas Corporation (PLC)	Independent Director	May 2021 to present
Converge ICT Solutions, Inc. (PLC)	Independent Director	June 2020 to present
CIBI Information, Inc.	Independent Director	June 2020 to present
Toyota Motor Philippines	Independent Director	March 2019 to present
Manila Hotel	Independent Director	August 2018 to present
Foundation for Liberty and Prosperity	Trustee	May 2019 to present
Belle Corporation (PLC)	Independent Director	December 2017 to present
Tan Yan Kee Foundation	Trustee	December 2017 to present
St. Luke's Medical Center	Trustee	August 2017 to present

3. I possess all the qualifications and none of the disqualifications to serve as an ID of the Corporation, as provided for in Section 38 of the Securities Regulation Code (SRC), its Implementing Rules and Regulations (IRR) and other SEC issuances.

4. I am related to the following director/officer/substantial shareholder of (covered company and its subsidiaries and affiliates) other than the relationship provided under Rule 38.2.3 of the SRC. (where applicable)

NAME OF DIRECTOR/OFFICER/ SUBSTANTIAL SHAREHOLDER	COMPANY	NATURE OF RELATIONSHIP
Not applicable		

5. To the best of my knowledge, I disclose that I am the subject of the following criminal/administrative investigation or proceeding:

OFFENSE CHARGED/INVESTIGATED	TRIBUNAL OR AGENCY INVOLVED	STATUS
See Notes below		

[1] A criminal and administrative case (OMB-C-C-13-0092) filed by Maxy Abad et al. against Mr. Amando M. Tetangco, Jr. et al. with the Ombudsman was dismissed on May 13, 2015. The dismissal was elevated to the Court of Appeals (CA) (CA-G.R. SP No. 144038), which sustained the dismissal on May 15, 2017. The CA's resolution was assailed with the Supreme Court (SC) (G.R. 234696) upon the filing of a Petition for Review dated November 29, 2017. In its Resolution dated October 3, 2022, the Supreme Court denied the Petition for Review of the petitioners and affirmed the May 15, 2017 Decision and October 4, 2017 Resolution of the Court of Appeals. To date, we have not yet received a Motion for Reconsideration on the said Resolution nor an Entry of Judgment.

[2] A complaint for damages was filed by Mr. Antonio Tiu, et al. against Mr. Amando M. Tetangco, Jr., et. al in connection with the Report of the Anti-Money Laundering Council (AMLC), which served as the basis of AMLCs ex-parte petition for the issuance of Freeze Order issued by the Court of Appeals in CA G.R. AMLA No. 00134 dated 11 May 2015. Mr. Tetangco, Jr., et. al., were impleaded in their official capacity as members and/or officers of the AMLC.

6. I shall faithfully and diligently comply with my duties and responsibilities as ID under the SRC and its IRR, Code of Corporate Governance and other SEC issuances.

7. I shall inform the Corporate Secretary of the Corporation of any changes in the abovementioned information within five days from its occurrence.

Done, this ________ day of FEB 1 9 2024, at PASAY CITY.

AMANDO M. TETANGCO, JR.
Affiant

SUBSCRIBED AND SWORN to before me this _____ day of FEB 1 9 2024 at PASAY CITY, affiant personally appeared before me and exhibited to me his Philippine Passport No. [redacted] issued at [redacted] valid until [redacted]

Doc. No. 012;
Page No. 44;
Book No. III;
Series of 2024.

ATTY. RONHEL VINN A. PAPA
Notary Public for Pasay City
Until December 31, 2024
IBP OR No. 324349/ 04-Dec-2023 / Roll No. 73157
PTR OR No. 8457592 1/04/24 / TIN# 743-448-049
MCLE Compliance No. VII-0025922 valid until 14 April 2025

In an order dated 27 March 2020, the Regional Trial Court of Quezon City dismissed the Complaint for Damages (Civil Case No. R-QZN-15-04513-CV) as to plaintiff Spouses James and Ann Lorraine Tiu against Mr. Tetangco Jr., Ms. Teresita Herbosa, Mr. Emmanuel Doc, and Ms. Julia Abad; and ordered Mr. Antonio Tiu to amend his complaint. Plaintiffs filed a Motion for Reconsideration, to which the Office of the Solicitor General (in representation of defendants Tetangco, et al) filed its Comment. In an Order dated 9 February 2021, the trial court denied the Motion for Reconsideration filed by the Spouses Tiu and upheld its earlier 27 March 2020 Order dismissing the case. Aggrieved Tiu, et al filed a Petition for Certiorari with the Court of Appeals (CA-G.R. SP No. 169478), assailing the 27 March 2020 and 09 February 2021 Orders. The CA, in its Decision dated 13 November 2023, dismissed the Petition for Certiorari and upheld the 27 March 2020 and 09 February 2021 Orders. On 21 December 2023, a Motion for Reconsideration was filed in relation to the said Decision. To date, we have not received a Resolution/Order from the CA.

[3] A Subpoena dated November 8, 2022 was reportedly issued by the Office of the City Prosecutor – Manila in connection with the Joint Complaint-Affidavit filed by Perry Y. Uy and Cesar M. Mayo, Jr. against Mr. Amando M. Tetangco, Jr. and several other respondents including former members of the Monetary Board, for alleged violation of the Central Bank Act, as amended (R.A. 7653 as amended by R.A. 11211). As of this date, no official service of subpoena or complaint has been made on Mr. Tetangco. The other respondents who have officially received the subpoena and/or voluntarily submitted to the jurisdiction of the OCP- Manila filed their respective counter-affidavits and their joint rejoinder-affidavit. In a Resolution dated 10 February 2023, the OCP-Manila dismissed the complaint against all respondents, including Mr. Tetangco, for lack of probable cause. Consequently, complainants requested a reconsideration of the said resolution which was eventually denied by the OCP-Manila in a Resolution dated 03 May 2023. Accordingly, complainants filed a Petition for Review dated 02 June 2023 with the Department of Justice ("DOJ"). On 23 June 2023, the other respondents filed a Verified Comment [To Petition for Review dated 02 June 2023] of even date. To date, we have not received any resolution/order from the DOJ.

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **DARLENE MARIE B. BERBERABE**, Filipino, of legal age and a resident of [redacted] after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of **SM Prime Holdings, Inc.**

2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
University of the Philippines-College of Law	Dean	2023-present
UnionDigital Bank	Director (BOD)	2023-present
Joy-Nostalg Solaris Inc.	Chairperson	2022 – present
Philippine Judicial Academy	Faculty	2022 – present
The Outstanding Women in Nation Service	Trustee	2021 – present
UP Law Alumni Foundation	Trustee	2019 – present
BCDA (GOCC)	Consultant to the Chairman	2018 – present
Palm Concepcion Power Corporation	Director (BOD)	2018 – present
PA Alvarez	Director (BOD)	2018 – present
Katapult Digital	Co-Founder and Director (BOD)	2017 – present
Phil. Heart Association	Trustee	2017 – present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of SM Prime Holdings, Inc., as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.

4. I am related to the following director/officer/substantial shareholder of (covered company and its subsidiaries and affiliates) other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code. (where applicable)

NAME OF DIRECTOR/OFFICER/ SUBSTANTIAL SHAREHOLDER	COMPANY	NATURE OF RELATIONSHIP
Not Applicable		

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

6. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

7. I shall inform the Corporate Secretary of SM Prime Holdings, Inc. of any changes in the abovementioned information within five days from its occurrence.

Done, this ________ day of FEB 1 9 2024, at PASAY CITY.

DARLENE MARIE B. BERBERABE
Affiant

SUBSCRIBED AND SWORN to before me this _____ day of FEB 1 9 2024 at PASAY CITY affiant personally appeared before me and exhibited to me her Passport No. [redacted] issued at [redacted] valid until [redacted]

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Page No. 44;
Book No. III;
Series of 2024;

ATTY. RONHEL VINN A. PAPA
Notary Public for Pasay City
Until December 31, 2024
IBP OR No. 324349/ 04-Dec-2023 / Roll No. 73157
PTR OR No. 8457592 1/04/24 / TIN# 743-448-049
MCLE Compliance No. VII-0025922 valid until 14 April 2025

CERTIFICATION OF INDEPENDENT DIRECTOR

I, J. CARLITOS G. CRUZ, Filipino, of legal age and a resident of [redacted] after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of **SM Prime Holdings, Inc.**

2. I am affiliated with the following companies or organizations:

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
Global Cebuana Finance Inc.	Independent Director	Less than a year
Cebuana Cycle Financing, Inc.	Independent Director	Less than a year
AFC SME Finance Inc.	Independent Director	Less than a year
Global SME Loans, Inc.	Independent Director	Less than a year
Wisefund Finance Corp.	Independent Director	Less than a year
Cycle Financing Corp.	Independent Director	Less than a year
Surecycle Financing Corp.	Independent Director	Less than a year
Cepat Kredit Financing, Inc.	Independent Director	Less than a year
MPIC Beneficial Trust Fund	Independent Trustee	1 year
Vivant Corporation (PLC)	Independent Director	2 years
Asialink Finance Corporation	Independent Director	2 years
Global Dominion Financing Incorporated	Independent Director	2 years
South Asialink Finance Corporation	Independent Director	2 years
MarCoPay Inc.	Independent Director	3 years
MCP Finance, Inc.	Independent Director	3 years
MCP Insurance Management and Agency, Inc.	Independent Director	3 years
Transnational Diversified Group, Inc.	Independent Director	3 years
Federal Land, Inc.	Independent Director	3 years
Solar Philippines Power Project Holdings, Inc.	Independent Director	3 years
Makati Business Club	Member	6 years
Association of CPAs in Public Practice	Member	13 years
Management Association of the Philippines	Member	23 years
Philippine Institute of Certified Public Accountants	Member	41 years

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of the SM Prime Holdings, Inc. as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.

4. I am related to the following director/officer/substantial shareholder of (covered company and its subsidiaries and affiliates) other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code. (where applicable)

NAME OF DIRECTOR/OFFICER/ SUBSTANTIAL SHAREHOLDER	COMPANY	NATURE OF RELATIONSHIP
Not Applicable		

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

6. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

7. I shall inform the Corporate Secretary of SM Prime Holdings, Inc. of any changes in the abovementioned information within five days from its occurrence.

Done, this ________ day of FEB 19 2024, at PASAY CITY.

J. CARLITOS G. CRUZ
Affiant

SUBSCRIBED AND SWORN to before me this _____ day of FEB 19 2024 at PASAY CITY, affiant personally appeared before me and exhibited to me his Passport No. [redacted] valid until [redacted]

Doc. No. 214;
Page No. 44;
Book No. III;
Series of 2024;

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SIGNATURES

Pursuant to the requirements of Section 17 of the SRC and Section 141 of the Corporation Code, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City PASAY CITY on APR 08 2024

SM PRIME HOLDINGS, INC.

Pursuant to the requirements of the Securities Regulations Code, this annual report has been signed by the following persons in their capacities and on the dates indicated.

By:

JEFFREY C. LIM
President
Date: ________

JOHN NAI PENG C. ONG
Chief Finance Officer
Date: ________

LESTHER JOANNE L. CONCEPCION
Senior Assistant Vice President - Finance
Date: ________

ELMER B. SERRANO
Corporate Secretary
Date: ________

SUBSCRIBED AND SWORN to before me this APR 08 2024 at PASAY CITY, affiants exhibiting to me their passports and tax identification, as follows:

NAME	ID NO.	DATE OF ISSUE	PLACE OF ISSUE
JEFFREY C. LIM JOHN NAI PENG C. ONG LESTHER JOANNE L. CONCEPCION ELMER B. SERRANO	[redacted]		

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Book No. IV;
Series of 2024

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