

# COVER SHEET

SEC Registration Number

[illegible]

**COMPANY NAME**

[illegible][illegible][illegible][illegible]

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

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### Form Type

SEC FORM 17-Q

Department requiring the report

CGFD/MSRD

Secondary License Type, If Applicable

N/A
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## COMPANY INFORMATION

**Company's Email Address**

	N/A
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**Company's Telephone Number/s**

8843-1511

Mobile Number

N/A
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No. of Stockholders

4,203
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Annual Meeting  
Month/Day

Month/Day	
Last Thursday of June (Per AOI)	

Fiscal Year  
Month/Day

12/31

## CONTACT PERSON INFORMATION

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

Name of Contact Person

Christopher James L. Tan

Email Address

[cjlt@solidgroup.com.ph](mailto:cjlt@solidgroup.com.ph)

**Telephone Number/s**

8843-1511

Mobile Number

N/A
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**Contact Person's Address**

2285 DON CHINO ROCES AVENUE MAKATI CITY

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

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

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended: March 31, 2025
2. Commission Identification Number: 845
3. BIR Tax Identification No.: 000-508-536-000
4. Exact name of registrant as specified in its charter **SOLID GROUP INC.**
5. Province, Country or other jurisdiction  
of incorporation: Philippines
6. \_\_\_\_\_ (SEC Use Only)  
Industry Classification Code
7. Address of principal office: Postal Code: 1231  
2285 Don Chino Roces Avenue, Makati City,  
Philippines
8. Telephone No: (632) 8843-1511
9. Former name, former address and former fiscal year,  
if changed since last report: N/A
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the  
RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Stock, P1 par value	1,821,542,000 shares
11. Are any or all of the securities listed on the Philippine Stock Exchange?  
Yes [ ☒ ] No [ ☐ ]  
  
If yes, state the name of such Stock Exchange and the classes of securities listed therein:  
  
Philippine Stock Exchange Common

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 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 the registrant was required to file such reports)

Yes [ X]

No [ ]

(b) has been subject to such filing requirement for the past 90 days.

Yes [ X]

No [ ]

## **PART I. – FINANCIAL INFORMATION**

### **Item 1. Financial Statements**

The unaudited consolidated financial statements of the Company and its subsidiaries for the three (3) months period ended March 31, 2025 are attached to this report.

### **Item 2. Management Discussion and Analysis of Financial Condition and Results of Operations**

#### **Key Performance Indicators**

The following key performance indicators are identified by the Company and included in the discussion of the results of operations and financial condition: revenue growth, asset turnover, operating expense ratio, earnings before interest, taxes, depreciation and amortization (EBITDA), earnings per share (EPS), current ratio and debt to equity ratio.

Key performance indicators for 2025 and 2024 are as follows:

	<u>2025</u>	<u>2024</u>
Revenue growth(decline)	18%	1%
Asset turnover	17%	16%
Operating expense ratio	23%	25%
EBITDA	P166.0 million	P90.9 million
EPS	P0.06	P0.02
Current ratio	7.9 : 1	7.45 : 1
Debt to equity ratio	0.21 : 1	0.21 : 1

Revenue growth (decline) is determined as follows: revenues for the current period less revenues for last period divided by the revenues of the previous period.

Asset turnover is computed based on the revenues (annualized) earned during the period divided by the average total assets.

Operating expense ratio is calculated as follows: operating expenses for the period divided by revenues for period.

EBITDA is determined by adding back interest expense, depreciation and amortization charges, to income from operations before income tax for the period.

Earnings per share (EPS) is computed based on the net income or loss for the period divided by the weighted average shares outstanding during the year.

Current ratio is computed as follows: total current assets as of end of the period divided by total current liabilities as of end of the period.

Debt to equity ratio is computed by dividing the total liabilities excluding amounts due to related parties as of end of the period by the total equity as of end of the period.

Revenue grew by 18% in the first quarter of 2025, a notable increase from the 1% growth seen in the same period last year mainly driven by higher revenues in the Property & Related Services and Logistics & Technical Solutions segments.

Asset turnover stood at 17% and 16% for the first quarters of 2025 and 2024, respectively.

Operating expense ratio was lower at 23% for the first quarter of 2025 as compared to 25% for the first quarter of 2024 mainly due to higher revenues reported for the period.

EBITDA rose to P166 million for the first quarter of 2025, up from P91 million during the same period in 2024. This remarkable growth was primarily driven by the revenue expansion in the Property & Related Services and Logistics & Technical Solutions segments.

Earnings per share went up to P0.06 for the first quarter of 2025 from earnings per share of P0.02 for the same period in 2024 mainly from higher net income for the period.

Current ratio stood at 7.9:1 as of March 31, 2025, down from 10.92:1 as of December 31, 2024. The decrease was primarily due to an increase in current liabilities following the reclassification of a portion of long-term debt as current.

Debt to equity ratio stood at 0.21 : 1 as of March 31, 2025 and as of December 31, 2024.

### **Results of Operations**

Revenues reached P662 million in the first quarter of 2025 from P561 million for the same period in 2024 from improved revenues of the property & related services and logistics & technical solutions segments as explained below.

Sales of goods declined by 7%, reaching P285 million in the first quarter of 2025, compared to P305 million in the same period of 2024, primarily attributed to lower sales as a result of deferral of projects in the distribution and retail segment.

Service revenue rose by 30% to P204 million in the first quarter of 2025, up from P157 million in the same period of 2024. The increase was primarily driven by heightened logistics activity following the rental of a new warehouse, as well as improved performance in the hotel operation.

Rental income more than doubled, increasing by 110% to P151 million in the first quarter of 2025 from P71 million in the same period of 2024 boosted by the commencement of lease operations for a newly constructed warehouse in Calamba, Laguna under the property and related services segment.

Interest income was higher by 17% to P21 million for the first quarter of 2025 from P18 million for the same period in 2024 mainly due to higher time deposit placements for the period.

Sale of real estate was nil in the first quarter of 2025 from P8 million sale of a condominium unit for same period of 2024.

Cost of sales, services, real estate sold and rentals increased by 4% to P419 million in the first quarter of 2025 from P402 million in the same period in 2024 as discussed below.

Cost of sales amounted to P225 million for the first quarter of 2025, a decline of 8% from P244 million for the same period of last year associated to decrease in sales.

Cost of services reached P140 million for the first quarter of 2025 up from P113 million in the same period of 2024 mainly in relation to higher subcontracting costs attributed to the expansion of logistics activities.

Cost of rentals rose by 33%, rising to P53 million in the first quarter of 2025, up from P40 million in the same period of 2024. This was primarily due to higher taxes and licenses, along with recoverable utility costs for the period, (which were subsequently billed to the lessee) under the property and related services segment.

Cost of real estate sold was nil in the first quarter of 2025 from P3.9 million in the same period of 2024.

Gross profit went up to P243 million for the first quarter of 2025 from P158 million for the same period in 2024 predominantly because of higher gross profit from lease operations of newly constructed warehouse in Calamba, Laguna of property & related services segment.

Other operating expenses (income) amounted to P132 million for the first quarter of 2025 from P127 million for the same period of 2024 as explained below.

General and administrative expenses was up by 5% to P110 million for the first quarter of 2025 from P105 million for the same period of 2024 arising mostly from expansion of logistics activity leading to higher manpower cost and additional rental expenses for an additional warehouse leased by logistics & technical solution segment.

Selling and distribution costs rose by 19% to P42 million in the first quarter of 2025, up from P35 million in the same period of 2024. The increase was attributable to higher manpower cost and selling & bank charges related to credit card transactions associated to higher sales of the distribution/retail segment.

Other operating income – net reached P20 million for the first quarter of 2025, an escalation by 49% from P13 million for the same period in 2024 attributable to higher income from utilities charged to tenants of the property & related services segment.

Operating profit surged by 251% reaching P110 million for the first quarter of 2025 compared to P31 million in the same period of 2024 significantly due to improved gross profit and other operating income as explained above.

Other income (charges) amounted to P19 million income for the first quarter of 2025 against P37 million for the same period in 2024 principally from the following:

Finance costs escalated by 454% to P14 million for the first quarter of 2025 from P2.5 million in 2024 chiefly due to interest expense on interest-bearing loans of the property & related services segment.

Finance income diminished by 19%, falling to P26 million in the first quarter of 2025, compared to P33 million in the same period last year. This decline was principally due to the lower cash surrender value of investments in life insurance, resulting from the surrender of certain life insurance investments under the Investment & Others segment in 2024.

Other gains – net amounted to P6.7 million in the first quarter of 2025, slightly lower by 2% compared to P6.8 million in the same period last year. The marginal decrease was mainly due to insurance proceeds of the investment & others segment, offset by a gain from the sale of an investment property under the property and related services segment.

Profit before tax was P130 million for the first quarter of 2025, an expansion of 89% from P68 million for the same period in 2024 largely due to higher operating profit as discussed above.

Tax expense dropped by 12% to P25 million for the first quarter of 2025 against P28 million for the same period in 2024 from lower taxable income of the property & related services segment.

Net profit climbed by 160% to P104 million for the first quarter of 2025 as compared to P40 million in the same period of 2024 primarily due to higher operating profit for the period.

Net profit attributable to equity holders of the parent realized P101 million for the first quarter of 2025 against P35 million net profit in the same period of 2024 as discussed above.

Net profit attributable to non-controlling interests (NCI) amounted to P3.4 million and P4.5 million for the first quarters of 2025 and 2024, respectively. This represents minority share in net profit for the period.

### **Financial Position**

Cash and cash equivalents declined by 15% to P2,619 million as of March 31, 2025 from P3,077 million as of December 31, 2024. Cash was principally provided from investing activities attributed to increase in short-term placements.

Short-term placements jumped by 209% to P618 million as of March 31, 2025 from P200 million as of December 31, 2024 from additional placements in time deposits.

Trade and other receivables climbed 16% reaching P506 million as of March 31, 2025 against P435 million as of December 31, 2024, primarily from increase of trade & other receivables of the distribution/retail segment and rental receivables of the property & related services segment. Trade customers are generally established and stable companies with reasonable assurance of collectibility of their accounts. Nonetheless, trade accounts are periodically reviewed to assess the possible losses from non-collection and allowance is provided for possible losses on accounts which are considered doubtful of collection.

Advances to related parties was maintained at P6.6 million for both periods. There was no change for this account.

Merchandise inventories and supplies - net decreased minimally to P351 million as of March 31, 2025, compared with P353 million as of December 31, 2024. There was no substantial change for this account.

Real estate inventories amounted to P424 million for both periods. There was no change for this account.

Other current assets went down slightly to P563 million as of March 31, 2025 compared with P567 million as of December 31, 2024. There was no notable change for this account.

Total current assets reached P5,091 million as of March 31, 2025 from P5,066 million as of December 31, 2024 mainly from higher trade and other receivables - net as discussed above.

Non-current trade and other receivables was diminished to P463 million as of March 31, 2025 from P453 million as of December 31, 2024. There was no material change for this account.

Financial assets at fair value through other comprehensive income stood at P74 million as of March 31, 2025 and as of December 31, 2024. There was no change for this account.

Investment in an associate reflected a balance of P38 million as of March 31, 2025, the same as at December 31, 2024. This amount represents deposits for a planned increase in Fekon Solid Motorcycle Mfg. Corp. authorized capital stock, which has not yet been completed. In previous years, the Group recognized a cumulative total of P50 million in impairment losses following continuous reassessment of the associate's business outlook.

Investment in bonds was P20 million as of March 31, 2025 and as of December 31, 2024 from investment made in 2021.

Property and equipment dropped to P1,607 million as of March 31, 2025 from P1,612 million as of December 31, 2024. There was no material change for this account.

Investment properties – net went up to P8,063 million as of March 31, 2025 from P8,041 million as of December 31, 2024. There was no significant change for this account.

Rights-of-use (ROU) assets – net decreased to P2.1 million as of March 31, 2025 from P3.0 million as of December 31, 2024 primarily due to depreciation of ROU assets under PFRS 16, Leases.

Post-employment benefit assets - net was valued at P131 million as of March 31, 2025 and as of December 31, 2024. There was no change for this account.

Deferred tax assets - net amounted to P12.5 million as of March 31, 2025 and as of December 31, 2024. There was no change for this account.

Other non-current assets had a balance of P48 million as of March 31, 2025 and as of December 31, 2024. There was no significant change for this account.

Total non-current assets amounted to P10,461 million as of March 31, 2025 and P10,434 million as of December 31, 2024 as discussed above.

**Total assets reached P15,552 million as of March 31, 2025 from P15,500 million as of December 31, 2024 as explained above.**

Current portion of interest-bearing loans amounted to P9.8 million as of March 31, 2025, compared to nil in 2024. This increase resulted from the reclassification of a portion of the long-term loan in accordance with PFRS 9, which requires that any portion of a loan maturing within the next 12 months be reclassified as a current liability.



Trade and other payables declined by 9% to P599 million as of March 31, 2025 against P658 million as of December 31, 2024 principally from reclassification of refundable deposit to unearned rental subsequently applied to rental income for the period, of the property & related services segment.

Customers' deposits escalated by 485% at P7.4 million as of March 31, 2025 from P1.2 million as of December 31, 2024 from additional deposits from customers of the distribution/retail segment.

Current lease liabilities dropped by 24% to P2.5 million as of March 31, 2025 from P3.4 million as of December 31, 2024 due to payments during the period.

Income tax payable grew by 38% to P24 million as of March 31, 2025 from P17 million as of December 31, 2024 from regular corporate income tax expense for the period.

Total current liabilities declined by 7% to P644 million as of March 31, 2025 from P680 million as of December 31, 2024 due to lower trade and other payables.

Interest-bearing loans decreased slightly to P865 million as of March 31, 2025 from P875 million as of December 31, 2024. This reduction was primarily due to the reclassification of P9.8 million to the current portion, in accordance with PFRS 9, which requires liabilities due within 12 months to be reclassified as current. These loans were used to partially finance the construction of the now completed warehouse facility in Calamba, Laguna, within the property & related services segment.

Non-current refundable deposits remained at P21 million as of March 31, 2025, the same as the balance reported on December 31, 2024. There was no change in this account during the period.

Non-current lease liabilities stood at P502 thousand for both periods.

Post-employment benefit obligation stood at P29 million as of March 31, 2025 and as of December 31, 2024. This represents the unfunded retirement obligation of certain subsidiaries.

Deferred tax liabilities -net amounted to P1,126 million as of March 31, 2025 and as of December 31, 2024. There was no notable change for this account.

Total non-current liabilities amounted to P 2,044 million as of March 31, 2025 and P 2,053 million as of December 31, 2024.

**Total liabilities amounted to P2,688 million as of March 31, 2025 from P2,734 million as of December 31, 2024 as discussed above.**

Capital stock stood at P2,030 million as of March 31, 2025 and December 31, 2024.

Additional paid-in capital was maintained at P4,641 million as of March 31, 2025 and as of December 31, 2024.

Treasury shares amounted to P115 million as of March 31, 2025 and as of December 31, 2024.

Revaluation reserves declined slightly by 4% to P175 million as of March 31, 2025 from P182 million as of December 31, 2024 due to loss in currency exchange differences on translating financial statements of foreign operations.

Retained earnings increased to P5,833 million as of March 31, 2025 from P5,731 million as of December 31, 2024 as a result of net profit attributable to parent for the period.

Total equity attributable to Equity holders of Parent amounted to P12,565 million as of March 31, 2025 and P12,471 million as of December 31, 2024.

Non-controlling interests amounted to P298 million as of March 31, 2025 and P294 million as of December 31, 2024. There was no material change for this account.

**Total equity amounted to P12,864 million as of March 31, 2025 from P12,766 million as of December 31, 2024.**

i. Known Trends or Demands, Commitments, Events or Uncertainties that will impact Liquidity.

The Company is not aware of any known trends, demands, commitments, events or uncertainties that will materially impact on its liquidity.

ii. Events that will trigger Direct or Contingent Financial Obligation that is material to the Company, including any default or acceleration of an obligation.

As discussed in Notes of the financial statements under Contingencies, certain subsidiaries of the Company are involved in litigation or proceedings, the outcome of which could individually or taken as a whole, not adversely affect the financial results, operations or prospects of the Company. Except of these contingencies, the Company is not aware of other events that will materially trigger direct or contingent financial obligation.

iii. Material Off-Balance Sheet Transactions, Arrangements, Obligations (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons created during the reporting period.

The Company has no material off-balance sheet transactions, arrangements, obligations and other relationships with unconsolidated entities or other persons created during the period that is not included in the financial statements.

iv. Material Commitments for Capital Expenditures, the general purpose of the Commitment and Expected Sources of Funds

The Company estimates capital expenditures for the year 2025 to amount to P710 million for various real estate development, renovation and upgrade of facilities and transportation equipment. The purchase and/or construction of these capital expenditures will be financed primarily through the funds of the Company and partly through loans.

v. Known Trends, Events or Uncertainties that will impact Sales/Revenues/Income from Continuing Operations

None

vi. Significant elements of Income or Loss that did not arise from Continuing Operations

None

vii. Causes for any Material Changes from Period to Period

Precos Inc., a wholly-owned subsidiary of SGI, is engaged in real estate and related businesses. It entered into a Built-to-Specification Agreement in 2022 with a third-party lessee for the development of a warehouse on its Laguna property. In 2024, it completed the 10.5-hectare, LEED accredited distribution facility with a total investment of P3.0 billion. Commercial operations commenced on August 1, 2024 under a 15-year lease agreement with an option to renew for another 5 years with the lessee, an international logistics provider. This project generated P113.2 million in leasing revenue and P67 million in net profit for 2024 affirming its significant contribution to the Company's financial performance. For 2025, it is projecting P271 million in leasing revenue along with a P76 million one-time gain and net profit of P275 million. The long-term partnership with the lessee is expected to generate significant revenue streams for the Group over the long term and contribute meaningfully to its sustained financial growth.

Based on the appraisal reports obtained in 2024, the Company reported fair value gains on investment property of P263 million as at year-end of 2024.

**As of March 31, 2025 (Unaudited) vs December 31, 2024 (Audited)**

***Balance Sheet Items (as at March 31, 2025 vs. December 31, 2024)***

(Increase or decrease of 5% or more in the financial statements)

*Cash and cash equivalents – 15% decrease to P2,619 million from P3,077 million*

Cash was principally provided from investing activities attributed to additional short-term placements. This account stood at 17% and 20% as a percentage of total assets as of March 31, 2025 and as of December 31, 2024, respectively.

*Short-term placements – 209% increase to P618 million from P200 million*

From additional placements in time deposits with terms of 91 days and more. As a percentage of total assets, this represented 4% and 1% as of March 31, 2025 and as of December 31, 2024, respectively.

*Trade and other receivables – 16% increase to P506 million from P435 million*

Primarily from increase of trade & other receivables of the distribution/retail segment and rental receivables of the property & related services segment. This represented 3% as a percentage of total assets in both periods.

*Advances to related parties – P6.6 million in both periods*

There was no change for this account. This account stood at 0.04% as a percentage of total assets in both periods.

*Merchandise inventories and supplies – 1% decrease to P351 million from P353 million*

There was no substantial change for this account. As of March 31, 2025 and as of December 31, 2024, as a percentage of total assets, this account represented 2% in both periods.

*Real estate inventories –P424 million in both periods*

There was no change for this account. It stood at 3% as a percentage of total assets in both periods.

*Other current assets – 0.6% decrease to P563 million from P567 million*

There was no substantial change for this account. This account stood at 4% as a percentage of total assets in both periods.

*Non-current trade and other receivables – 2% decrease to P463 million from P453 million*

There was no material change for this account. As a percentage of total assets, this represented 3% as of March 31, 2025 and as of December 31, 2024.

*Financial assets at fair value through other comprehensive income – P74.2 million in both periods*

This account stood at 0.48% as a percentage of total assets in both periods.

*Investment in an associate – P38 million for both periods*

There was no change for this account. This account stood at 0.24% and 0.25% as a percentage of total assets for the period ended March 31, 2025 and for the year ended December 31, 2024, respectively.

*Investment in bonds – P20 million in both periods*

As a percentage of total assets, this represented 0.13% as of March 31, 2025 and as of December 31, 2024.

*Property and equipment – 0.3% decrease to P1,607 million from P1,612 million*

There was no material change for this account. As a percentage of total assets, this account represented 10% as of March 31, 2025 and as of December 31, 2024.

*Investment properties – 0.3% increase to P8,063 million from P8,041 million*

There was no material change for this account. This account stood at 52% as a percentage of total assets as of March 31, 2025 and as of December 31, 2024.

*Right-of-Use (ROU) assets – 27% decrease to P3 million from P2.1 million*

Solely from depreciation of ROU assets under PFRS 16, Leases. As of March 31, 2025 and as of December 31, 2024, this account stood at 0.01% and 0.02% as a percentage of total assets for the period ended March 31, 2025 and for the year ended December 31, 2024, respectively.

*Post-employment benefit asset – P131 million for both periods*

No movement for this account. This represented 0.84% as a percentage of total assets as of March 31, 2025 and 0.85% as percentage to total assets as of December 31, 2024.

*Deferred tax assets – P12 million for both periods*

No movement for this account. This account stood at 0.08% of total assets in both periods.

*Other non-current assets –0. 4% increase to P48.4 million from P48.2 million*

There was no significant change for this account. This represented 0.31% as a percentage of total assets as of March 31, 2025 and as of December 31, 2024.

*Interest-bearing loans – P9.8 million from nil*

Resulted from the reclassification of a portion of the long-term loan in accordance with PFRS 9, which requires that any portion of a loan maturing within the next 12 months be reclassified as current liability. This account stood at 0.06% as a percentage of total liabilities and equity as of March 31, 2025.

*Customers' deposits – 485% increase to P7.4 million from P1.2 million*

Mostly due to additional deposit from customers of the distribution/retail segment. This account represented 0.05% and 0.01% as a percentage of total liabilities and equity as of March 31, 2025 and as of December 31, 2024.

*Current Lease Liabilities – 24% decrease to P2.5 million from P3.4 million*

Due to payments during the period. This account stood at 0.02% as a percentage of total liabilities and equity for the period ended March 31, 2025 and for the year ended December 31, 2024.

*Income tax payable – 38% rise to P24 million from P17 million*

Mainly from regular corporate income tax expense for the period. This account was pegged at 0.16% and 0.11% of the total liabilities and equity as of March 31, 2025 and as of December 31, 2024, respectively.

*Interest-bearing loans – 1% decline to P865 million from P875 million*

Due to the reclassification of P9.8 million to the current portion, in accordance with PFRS 9, which requires liabilities due within 12 months to be reclassified as current. These loans were used to partially finance the construction of the now completed warehouse facility in Calamba, Laguna, within the property & related services segment.

*Non-current refundable deposits – P21 million for both periods*

This represented 0.14% as a percentage of the total liabilities and equity as of March 31, 2025 and as of December 31, 2024.

*Non-current lease liabilities stood at P502 thousand for both periods*

This represented 0.003% as a percentage of the total liabilities and equity as of March 31, 2025 and as of December 31, 2024.

*Post-employment benefit obligation – P29 million for both periods*

No change. This account stood at 0.19% of the total liabilities and equity in both periods.

*Deferred tax liabilities – P 1,126 million for both periods*

No change. This account stood at 7% as a percentage of total liabilities and equity in both periods.

*Capital stock – no change*

This account stood at 13% of total liabilities and equity as of March 31, 2025 and as of December 31, 2024.

*Additional paid-in-capital – no change*

This account represented 30% of total liabilities and equity as of March 31, 2025 and as of December 31, 2024.

*Treasury shares – no change*

This account represented 0.74% of total liabilities and equity for both periods.

*Revaluation reserves –4% decrease to P175 million from P182 million*

Chiefly due to loss on currency exchange differences in translating financial statements of foreign operation. It stood at 1.13% and 1.18% of total liabilities and equity as of March 31, 2025 and as of December 31, 2024, respectively.

*Retained earnings – increased to P5,833 million from P5,731 million*

Mainly as a result of net profit attributable to parent during the period. This account stood at 38% and 37% of total liabilities and equity as of March 31, 2025 and as of December 31, 2024, respectively.

***Income Statement Items (For the three months ended March 31, 2025 vs. March 31, 2024)***  
(Increase or decrease of 5% or more in the financial statements)

*Sale of goods – 7% decrease to P285 million from P305 million*

Primarily due to deferred projects in the distribution and retail segment. As a percentage of total revenues, this account represented 43% for the first quarter ended March 31, 2025 and 54% for the first quarter ended March 31, 2024.

*Service revenue – 30% increase to P204 million from P157 million*

Primarily driven by heightened logistics activity following the rental of a new warehouse, as well as improved performance in the hotel operation. As a percentage of total revenues, this account represented 31% and 28% for the three months ended March 31, 2025 and 2024, respectively.

*Rental income – 110% increase to P151 million from P71 million*

Boosted by the commencement of lease operations for a newly constructed warehouse in Calamba, Laguna under the property and related services segment. As a percentage of total revenues, this account represented 13% and 11% for the three months ended March 31, 2025 and 2024, respectively.

*Interest income – 17% increase to P21 million from P18 million*

Mainly due to higher time deposit placements for the period. As a percentage of total revenues, this account represented 3% for the three months ended March 31, 2025 and 2024.

*Sale of real estate – 100% decrease to nil from P8 million*

From condominium unit sold for the same period in 2024. As a percentage of total revenues, this account represented 1% for the three months ended March 31, 2024.

*Cost of sales - 8% decrease to P225 million from P244 million*

Associated to decrease in sales. As a percentage of total revenues, this account represented 34% and 44% for the three months ended March 31, 2025 and 2024, respectively.

*Cost of services – 23% increase to P140 million from P113 million*

Mainly in relation to higher subcontracting costs attributed to the expansion of logistics activities. This account stood at 21% and 20% for the three months ended March 31, 2025 and 2024, respectively, as a percentage of total revenues.

*Cost of rentals – 33% increase to P53 million from P40 million*

Primarily due to higher taxes and licenses, along with recoverable utility costs for the period, (which were subsequently billed to the lessee) under the property and related services segment. This account represented 7% for both periods as a percentage of total revenues.

*Cost of real estate sales – 100% decrease to P3.9 million from nil*

From the cost of the condominium unit sold in the first quarter of 2024. As a percentage of total revenues, this account represented 1% for the three months ended March 31, 2024.

*Gross profit – 53% increase to P243 million from P158 million*

Predominantly because of higher gross profit from lease operations of a newly constructed warehouse in Calamba, Laguna of property & related services segment. As a percentage of total revenues, this account stood at 37% and 28% for the first quarter ended March 31, 2024 and March 31, 2023, respectively.

*General and administrative expenses – 5% increase to P110 million from P105 million*

Arising mostly from expansion of logistics activity leading to higher manpower cost and additional rental expenses for an additional warehouse leased by logistics & technical solution segment. As a

percentage of total revenues, this account stood at 17% and 19% for the three months ended March 31, 2025 and 2024, respectively.

*Selling and distribution costs –19% increase to P42 million from P35 million*

Attributable to higher manpower cost and selling & bank charges related to credit card transactions associated to higher sales of the distribution/retail segment. As a percentage to total revenues, this account represented 6% both for the first quarter ended March 31, 2024 and 2023.

*Other operating income –net - 49% increase to P20 million income from P13 million*

Attributable to higher income from utilities charged to tenants of the property & related services segment. As a percentage to total revenues, this account represented 3% and 2.5% for the first quarter ended March 31, 2025 and 2024, respectively.

*Operating profit – 251% increase to P110 million from P31 million*

Associated with higher gross profit and other operating income. This account represented 17% and 6% as a percentage of total revenues for the three months ended March 31, 2025 and 2024, respectively.

*Finance costs – 454% increase to P14 million from P2.5 million*

Chiefly due to interest expense on interest-bearing loans of the property & related services segment. This account represented 2.2% and 0.5% as a percentage of total revenues in the first quarter of 2025 and 2024, respectively.

*Finance income – 19% decrease to P26 million from P33 million*

Principally due to the lower cash surrender value of investments in life insurance, resulting from the surrender of certain life insurance investments under the investment & others segment in 2024. This account represented 4% and 6% as a percentage of total revenues for the first quarter ended March 31, 2025 and March 31, 2024, respectively.

*Other gains - net – 2% decrease to P6.7 million from P6.8 million*

Mainly due to insurance proceeds of the investment & others segment, offset by a gain from the sale of an investment property under the property and related services segment. This account stood at 1% and 1.2% in the first quarter of 2025 against the same period in 2024 as a percentage of total revenues.

*Profit before tax – 89% decrease to P130 million from P68 million*

Largely due to higher operating profit for the period. This account stood at 20% in the first quarter of 2025 and 12% vs the same period in 2024, respectively, as a percentage of total revenues.

*Tax expense – 12% decrease to P25 million from P28 million*

Attributable to lower taxable income of the property & related services segment. This account stood both at 5% in the first quarter ended March 31, 2025 and 2024 based on total revenues.



*Net profit – 160% increase to P104 million from P40 million*

Mainly due to higher operating profit for the period. This account stood at 16% in the first quarter of 2025 and 7% vs the same period in 2024 as a percentage of total revenues, respectively.

viii. Seasonal Aspects that had Material Effect on the Financial Condition or Results of Operations

There were no significant seasonality in the Company's business that materially affects financial condition or results of operations.

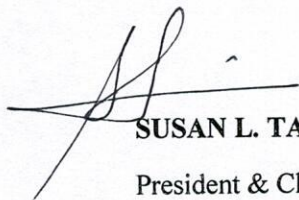
## **PART II –OTHER INFORMATION**

On April 8, 2025, the Company advised that the Board of Directors approved the setting of the Annual Stockholder's Meeting for 2025 on June 26, 2025 at 2:00 p.m. to be held virtually or in absentia with record date to determine the stockholders entitled to notice of and vote during the meeting on May 30, 2025.

## **SIGNATURES**

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

**SOLID GROUP INC.**

A handwritten signature in black ink, appearing to be 'SLT', written over a horizontal line.

**SUSAN L. TAN**

President & Chief Executive Officer

A handwritten signature in black ink, appearing to be 'V. Lim', written over a horizontal line.

**VINCENT S. LIM**

SVP, Chief Financial Officer & Chief Risk Officer

May 19, 2025

# Solid Group Inc. and Subsidiaries

Unaudited Consolidated Financial Statements as of March 31, 2025 and  
for the Three Months Period Ended March 31, 2025 and March 31, 2024  
(with Comparative Audited Consolidated Statements of Financial Position  
as of December 31, 2024)

**SOLID GROUP INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**MARCH 31, 2025 AND DECEMBER 31, 2024**  
*(Amounts in Philippine Pesos)*

	<u>Notes</u>	<u>March 31, 2025</u>	<u>December 31, 2024</u>
<b><u>ASSETS</u></b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	5	P 2,619,559,803	P 3,077,901,933
Short-term placements	5	618,271,272	200,271,182
Trade and other receivables - net	6	506,211,870	435,752,121
Advances to related parties	25	6,697,750	6,697,750
Merchandise inventories and supplies - net	8	351,766,157	353,571,041
Real estate inventories - net	9	424,967,513	424,967,513
Other current assets	13	<u>563,652,437</u>	<u>567,193,877</u>
Total Current Assets		<u>5,091,126,802</u>	<u>5,066,355,417</u>
<b>NON-CURRENT ASSETS</b>			
Trade and other receivables	6	463,520,319	453,107,767
Financial assets at fair value through other comprehensive income	7	74,200,000	74,200,000
Investment in an associate	7	38,022,714	38,022,714
Investment in bonds	7	20,000,000	20,000,000
Property and equipment - net	11	1,607,671,944	1,612,580,486
Investment properties - net	12	8,063,554,967	8,041,681,277
Right-of-use asset - net	10	2,197,066	3,004,500
Post-employment benefit asset - net	21	131,204,872	131,204,872
Deferred tax assets - net	22	12,554,960	12,554,960
Other non-current assets - net	13	<u>48,419,390</u>	<u>48,214,008</u>
Total Non-current Assets		<u>10,461,346,232</u>	<u>10,434,570,584</u>
<b>TOTAL ASSETS</b>		<u>P 15,552,473,034</u>	<u>P 15,500,926,001</u>

	<u>Notes</u>	<u>March 31, 2025</u>	<u>December 31, 2024</u>
<b><u>LIABILITIES AND EQUITY</u></b>			
<b>CURRENT LIABILITIES</b>			
Interest-bearing loans	14	9,843,750	-
Trade and other payables	15	600,135,981	658,126,297
Customers' deposits		7,452,533	1,272,982
Lease liabilities	10	2,586,092	3,405,363
Income tax payable		24,191,281	17,547,524
Total Current Liabilities		<u>644,209,637</u>	<u>680,352,166</u>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing loans	14	865,156,250	875,000,000
Refundable deposits	16	21,645,519	21,645,519
Lease liabilities	10	502,510	502,510
Post-employment benefit obligation	21	29,785,339	29,785,339
Deferred tax liabilities - net	22	1,126,961,282	1,126,961,282
Total Non-current Liabilities		<u>2,044,050,900</u>	<u>2,053,894,650</u>
Total Liabilities		<u>2,688,260,537</u>	<u>2,734,246,816</u>
<b>EQUITY</b>			
Equity attributable to the Parent Company's stockholders			
Capital stock	23	2,030,975,000	2,030,975,000
Additional paid-in capital		4,641,701,922	4,641,701,922
Treasury shares - at cost	23	( 115,614,380 )	( 115,614,380 )
Revaluation reserves	23	175,696,476	182,941,686
Retained earnings	23	5,833,106,704	5,731,763,093
Total equity attributable to the Parent Company's stockholders		12,565,865,722	12,471,767,321
Non-controlling interests	23	<u>298,346,775</u>	<u>294,911,864</u>
Total Equity		<u>12,864,212,497</u>	<u>12,766,679,185</u>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>P <u>15,552,473,034</u></b>	<b>P <u>15,500,926,001</u></b>

*See Notes to Consolidated Financial Statements.*

**SOLID GROUP INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2025 AND 2024**  
*(Amounts in Philippine Pesos)*

	<u>Notes</u>	<u>March 31, 2025</u>	<u>March 31, 2024</u>
<b>REVENUES</b>			
Sale of goods	4, 25	P 285,659,405	P 305,777,306
Rendering of services	25, 26	204,157,639	157,351,453
Rentals	12, 25, 27	151,015,513	71,775,251
Interest	5, 6, 7, 25	21,806,403	18,597,755
Sale of real estate		-	8,125,000
		<u>662,638,960</u>	<u>561,626,765</u>
<b>COSTS OF SALES, SERVICES, RENTALS AND REAL ESTATE SALES</b>	17, 18		
Cost of sales		225,192,996	244,589,944
Cost of services		140,642,655	113,914,722
Cost of rentals		53,712,090	40,339,271
Cost of real estate sold		-	3,962,442
		<u>419,547,741</u>	<u>402,806,379</u>
<b>GROSS PROFIT</b>		<u>243,091,219</u>	<u>158,820,386</u>
<b>OTHER OPERATING EXPENSES (INCOME)</b>			
General and administrative expenses	18	110,834,910	105,679,381
Selling and distribution costs	18	42,118,737	35,525,802
Other operating expense (income) - net	19	( 20,854,083 )	( 13,976,239 )
		<u>132,099,564</u>	<u>127,228,944</u>
<b>OPERATING PROFIT (LOSS)</b>		<u>110,991,655</u>	<u>31,591,442</u>
<b>OTHER INCOME (CHARGES)</b>			
Finance costs	20	( 14,355,931 )	( 2,593,269 )
Finance income	5, 6, 20	26,785,305	33,154,823
Other gains (losses) - net	20	6,726,336	6,831,071
		<u>19,155,710</u>	<u>37,392,625</u>
<b>PROFIT (LOSS) BEFORE TAX</b>		130,147,365	68,984,067
<b>TAX EXPENSE (INCOME)</b>	22	<u>25,368,843</u>	<u>28,744,824</u>
<b>NET PROFIT (LOSS)</b>		<u>P 104,778,522</u>	<u>P 40,239,243</u>
<b>Net Profit (Loss) attributable to the:</b>			
Parent Company's stockholders	24	P 101,343,611	P 35,696,491
Non-controlling interests		<u>3,434,911</u>	<u>4,542,752</u>
		<u>P 104,778,522</u>	<u>P 40,239,243</u>
<b>Earnings (Loss) per share attributable to the Parent Company's stockholders</b>	24	<u>P 0.06</u>	<u>P 0.02</u>

*See Notes to Consolidated Financial Statements.*

SOLID GROUP INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE THREE MONTHS ENDED MARCH 31, 2025 AND 2024  
*(Amounts in Philippine Pesos)*

	<u>Notes</u>	<u>March 31, 2025</u>	<u>March 31, 2024</u>
NET PROFIT (LOSS)		P <u>104,778,522</u>	P <u>40,239,243</u>
OTHER COMPREHENSIVE INCOME (LOSS)			
Items that will be reclassified subsequently to profit or loss:			
Currency exchange differences on translating financial statements of foreign operations	23	( <u>7,245,210</u> )	<u>12,487,153</u>
		( <u>7,245,210</u> )	<u>12,487,153</u>
TOTAL COMPREHENSIVE INCOME		P <u>97,533,312</u>	P <u>52,726,396</u>
Total comprehensive income (loss) attributable to:			
Parent Company's stockholders		P <u>94,098,401</u>	P <u>48,183,644</u>
Non-controlling interests		<u>3,434,911</u>	<u>4,542,752</u>
		P <u>97,533,312</u>	P <u>52,726,396</u>

*See Notes to Consolidated Financial Statements.*

**SOLID GROUP INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2025 AND 2024**  
*(Amounts in Philippine Pesos)*

	<u>Notes</u>	<u>March 31, 2025</u>	<u>March 31, 2024</u>
<b>EQUITY ATTRIBUTABLE TO THE PARENT COMPANY'S STOCKHOLDERS</b>			
<b>CAPITAL STOCK</b> - P1 par value			
Authorized - 5,000,000,000 shares			
Issued - 2,030,975,000 shares			
Outstanding - 1,821,542,000 shares	P	<u>2,030,975,000</u>	P <u>2,030,975,000</u>
<b>ADDITIONAL PAID-IN CAPITAL</b>		<u>4,641,701,922</u>	<u>4,641,701,922</u>
<b>TREASURY SHARES</b> - at cost			
Acquired at P0.5520 per share			
209,433,000 shares	(	<u>115,614,380</u> )	( <u>115,614,380</u> )
<b>REVALUATION RESERVES</b>			
Balance at beginning of year		182,941,686	128,781,811
As previously reported			
Other comprehensive income (loss)	(	<u>7,245,210</u> )	<u>12,487,153</u>
Balance at end of the period		<u>175,696,476</u>	<u>141,268,964</u>
<b>RETAINED EARNINGS (DEFICIT)</b>			
Balance at beginning of year			
As previously reported		5,731,763,093	5,362,557,945
Profit (loss) for the period attributable to			
Parent Company's stockholders		101,343,611	35,696,491
Dividends declared		<u>-</u>	<u>-</u>
Balance at end of the period		<u>5,833,106,704</u>	<u>5,398,254,436</u>
Total Equity Attributable to the			
Parent Company's stockholders		<u>12,565,865,722</u>	<u>12,096,585,942</u>
<b>NON-CONTROLLING INTERESTS</b>			
Balance at beginning of year		294,911,864	305,032,067
Profit (loss) for the period attributable to			
Non-controlling interests		3,434,911	4,542,752
Dividends declared		<u>-</u>	<u>-</u>
Balance at end of the period		<u>298,346,775</u>	<u>309,574,819</u>
<b>TOTAL EQUITY</b>	P	<u>12,864,212,497</u>	P <u>12,406,160,761</u>

*See Notes to Consolidated Financial Statements.*



**SOLID GROUP INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2025 AND 2024**  
*(Amounts in Philippine Pesos)*

	<u>Notes</u>	<u>March 31, 2025</u>	<u>March 31, 2024</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit (loss) before tax		130,147,365	68,984,067
Adjustments for:			
Interest income	(	44,187,584	( 40,824,888 )
Depreciation and amortization		22,380,849	19,626,345
Impairment losses (reversal) on trade and other receivables	(	1,023,182	
Interest expense		14,164,104	2,293,863
Unrealized foreign currency losses (gains) - net		24,542	( 3,439 )
Loss (gain) on sale of investment properties		-	( 6,290,786 )
Loss (gain) on sale of property and equipment	(	5,357	( 46,429 )
Operating profit before working capital changes		121,500,737	43,738,733
Decrease (increase) in trade and other receivables	(	84,863,085	633,669,522
Decrease (increase) in merchandise inventories and supplies		1,804,884	( 78,235,683 )
Decrease (increase) in real estate inventories		-	3,962,442
Decrease (increase) in other current assets	(	3,685,528	( 20,990,926 )
Decrease (increase) in other non-current assets	(	205,382	( 1,668,610 )
Increase (decrease) in trade and other payables	(	57,990,317	( 168,433,044 )
Increase (decrease) in customers' deposits		6,179,551	( 3,000,000 )
Increase (decrease) in refundable deposits		-	30,000
Cash generated from (used in) operations	(	17,259,140	409,072,434
Interest received		16,064,719	13,633,726
Cash paid for income taxes	(	3,511,441	277,590
Net Cash From (Used in) Operating Activities	(	4,705,862	422,983,750
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of property and equipment	(	16,659,516	( 8,876,593 )
Proceeds from disposal of property and equipment			330,397
Additional short-term placements	(	605,484,250	( 952,724,531 )
Maturity of short-term placements		187,484,160	575,202,739
Interest received		17,904,945	17,781,707
Proceeds from disposal of investment properties		-	90,000,000
Acquisition of investment properties	(	21,873,690	( 98,923,719 )
Net Cash From (Used in) Investing Activities	(	438,628,351	( 377,210,000 )
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from interest-bearing loans - net		-	85,000,000
Payment of lease liabilities and interest expense	(	874,139	( 346,536 )
Interest paid	(	14,109,236	( 2,285,147 )
Net Cash From (Used in) Financing Activities	(	14,983,375	( 2,631,683 )
Effects of Foreign Exchange Rate Changes on Cash and Cash Equivalents	(	24,542	3,439
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(	458,342,130	128,145,505
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		3,077,901,933	2,710,806,862
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	P	2,619,559,803	P 2,838,952,367

*See Notes to Consolidated Financial Statements.*

**SOLID GROUP INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2025, AND DECEMBER 31, 2024**  
*(Amounts in Philippine Pesos)*

**1. GENERAL INFORMATION**

**1.1 Group Background**

Solid Group Inc. (SGI or the Parent Company) was incorporated and registered with the Philippine Securities and Exchange Commission (“the Commission”) on October 16, 1933. SGI currently conducts business as an investment holding company. On September 4, 1996, SGI listed its shares of stock in the Philippine Stock Exchange (PSE).

The Parent Company holds effective ownership interests in the following subsidiaries (the Parent Company and the subsidiaries are collectively referred to herein as “the Group”) and an associate:

Subsidiaries / Associate	Percentage of Ownership		Notes	Nature of Business
	2025	2024		
Subsidiaries:				
Avid Sales Corporation (Avid)	100	100		Distribution, wholesale and retail of home appliances and electronic products
Brilliant Reach Limited (BRL)	100	100	a	Investment holding company
Casa Bocobo Hotel, Inc. (CBHI)	100	100	b	Hotel and restaurant operation
Green Sun Hotel Management Inc. (GSHMI)	100	100		Hotel and restaurant operation
Kita Corporation (Kita)	100	100		Leasing of real estate properties
My Solid Technologies & Devices Corporation (My Solid)	100	100		Sale of mobile phones and accessories
MyApp Corporation (MyApp)	100	100	c	Investment holding company
Omni Solid Services, Inc. (OSSSI)	100	100		Logistics and assembly of consumer electronics products
Precos, Inc. (Precos)	100	100		Real estate
Solid Broadband Corporation (SBC)	100	100		Broadband, cable and satellite services
SolidService Electronics Corporation (SEC)	100	100		Repair services for audio and video products
Solid Group Technologies Corporation (SGTC)	100	100		Trading of prefabricated modular house and office units
Solid Manila Corporation (SMC)	100	100		Real estate
Solid Manila Finance, Inc. (SMFI)	100	100		Financing
Solid Video Corporation (SVC)	100	100		Trading of professional audio/video equipment
Zen Towers Corporation (ZTC)	100	100		Real estate
SVC Hong Kong Limited (SVC HK)	100	100	f	Trading of professional audio/video equipment
Skyworld Corporation (Skyworld)	75	75	b, d	Investment holding company
Starworld Corporation (Starworld)	50	50	b, d, e	Real estate
Associate –				
Fekon Solid Motorcycle Mfg. Corp. (Fekon)	44	44	7.3	Sale of motorcycle, motor parts and products

Notes:

- (a) *Incorporated and domiciled in the British Virgin Islands*
- (b) *Indirectly owned through SMC*
- (c) *Incorporated on October 23, 2014; has not yet started commercial operations as of March 31, 2025*
- (d) *Pre-operating or non-operating*
- (e) *Starworld is 20% owned by SMC and 40% owned by Skynworld*
- (f) *Indirectly owned through SVC*

Additional information:

- (i) In 2022, Precos entered into a Built-to-Specification Agreement with a third party for the lease of a warehouse. The lease agreement has a term of fifteen (15) years, commencing upon completion of construction, with an option to renew for an additional five (5) years. Construction of the warehouse was completed in 2024, and the formal lease contract commenced on August 1, 2024.
- (ii) In 2023, SMC sold its shares of stock in Interstar Holdings Company, Inc. (Interstar) and Laguna International Industrial Park, Inc. (LIIP). Details of deconsolidation are presented in Note 23.5.
- (iii) In November 2022, the Parent Company acquired shares of Avid for P100.2 million to bring its ownership interest to 100%. Management assessed that it has control over Avid and was considered as a wholly owned subsidiary as of December 31, 2022. The Group has determined this acquisition to be a business combination for which the purchase price was allocated between the identifiable assets and liabilities at fair value [see Note 3.1(e)].
- (iv) In 2021, SVC incorporated SVC HK with a 100% interest over the latter. SVC HK is a foreign private entity domiciled and incorporated under the laws of Hong Kong. SVC HK started its operations in 2022.
- (v) SBC holds a provisional authority, granted by the National Telecommunications Commission, to use its legislative franchise under Republic Act (R.A.) No. 9116, *An Act Granting Solid Broadband Corporation a Franchise to Construct, Install, Establish, Operate and Maintain Telecommunications Systems throughout the Philippines* (see Note 26.3).
- (vi) SMFI is subject to the rules and regulations provided under R.A. No. 8556, *The Financing Group Act of 1998* (see Note 31).

## 1.2 Other Corporate Information

The registered office addresses and principal places of business of the Parent Company and its subsidiaries, except those listed below, are located at 2285 Don Chino Roces Avenue, Makati City. The registered office addresses and principal places of business of the other subsidiaries are as follows:

Avid, SMC and CBHI	- 1000 J. Bocobo cor. T.M. Kalaw Street, Ermita, Manila
BRL	- 2 <sup>nd</sup> Floor, Abbott Building, P.O. Box 933, Road Town, Tortola, British Virgin Islands
Kita	- N7175 Gil Puyat Ave. cor. Feati St., Clark Freeport Zone, Clarkfield, Pampanga
OSSI	- Solid St., LIIP, Mamplasan, Biñan, Laguna
SEC	- 145 G. Araneta Avenue, Brgy. Tatalon, Quezon City
Starworld	- CPIP Brgys. Batino & Prinza, Calamba, Laguna
SVC HK	- RM A301, 3/F Blk. A Sea View Est 2-8 Watson Rd, Causeway Bay, Hong Kong
ZTC	- 1111 Natividad A. Lopez St., Brgy. 659-A, District 5, Ermita, Manila

### ***1.3 Approval for Issuance of Audited Consolidated Financial Statements***

The consolidated financial statements of the Group as of and for the year ended December 31, 2024 (including the comparative consolidated financial statements as of December 31, 2023 and for the years ended December 31, 2023 and 2022) were authorized for issue by the Parent Company's Board of Directors (BOD) on April 8, 2025.

## **2. MATERIAL ACCOUNTING POLICY INFORMATION**

The material accounting policy information that has been used in the preparation of these consolidated financial statements is summarized below and on the succeeding pages. These policies have been consistently applied to all the years presented, unless otherwise stated.

### ***2.1 Basis of Preparation of Consolidated Financial Statements***

#### ***(a) Statement of Compliance with Philippine Financial Reporting Standards***

The consolidated financial statements of the Group as of and for the year ended March 31, 2025 were prepared in accordance with Philippine Financial Reporting Standards (PFRS Accounting Standards). PFRS Accounting Standards are adopted by the Financial and Sustainability Reporting Standards Council (FSRSC) from the pronouncements issued by the International Accounting Standards Board (IASB) and approved by the Philippine Board of Accountancy (BOA).

The consolidated financial statements have been prepared using the measurement bases specified by the relevant accounting frameworks for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies that follow.

#### ***(b) SEC Financial Reporting Reliefs Availed by the Group***

In 2023 and prior years, the Group has availed of several financial reporting reliefs granted by the SEC relating to the number of implementation issues of PFRS 15, *Revenue From Contracts with Customers*, and the related financial reporting interpretations affecting the real estate industry. In 2024, the Group adopted the previously deferred provisions of PFRS 15, *Revenue From Contracts with Customers* and the related issuances of the Philippine Interpretations Committee, and *IFRIC Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23)* using full retrospective approach as allowed by SEC MC No. 08-2021, *Amendment to SEC MC No. 14-2018, MC No. 03-2019, MC No. 04-2020, and MC No. 34-2020 to clarify transitory provision*.

The adoption of these standards and interpretations did not result to any adjustments to the amounts recognized in the consolidated financial statements. Consequently, no restatements were made to the comparative figures presented in the consolidated financial statements.

Discussed below are the relevant information about these standards and interpretations, and the resulting impact of the relevant consolidated financial statements accounts.

- (i) IFRIC Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23) for Real Estate Industry

The IFRIC concluded that any inventory (work-in-progress) for unsold units under construction that the entity recognizes is not a qualifying asset, as the asset is ready for its intended sale in its current condition (i.e., the developer intends to sell the partially constructed units as soon as it finds suitable customers and, in signing a contract with a customer, will transfer control of any work-in-progress relating to that unit to the customer). Accordingly, no borrowing costs can be capitalized on such unsold real estate inventories.

The adoption of this interpretation has no significant effect on the consolidated financial statements of the Group as there were no capitalized borrowing costs on real estate inventories.

- (ii) PIC Q&A No. 2018-12-D, *Concept of the Significant Financing Component in the Contract to Sell* and PIC Q&A No. 2020-04, *Addendum to PIC Q&A 2018-12-D: Significant Financing Component Arising from Mismatch between the Percentage of Completion and Schedule of Payments*

PFRS 15 requires that in determining the transaction price, an entity shall adjust the promised amount of consideration for the effects of the time value of money if the timing of payments agreed to by the parties to the contract (either explicitly or implicitly) provides the customer or the entity with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component.

There is no significant financing component if the difference between the promised consideration and the cash selling price of the good or service arises for reasons other than the provision of finance to either the customer or the entity, and the difference between those amounts is proportional to the reason for the difference. Further, the Group does not need to adjust the promised amount of consideration for the effects of a significant financing component if the entity expects, at contract inception that the timing difference of the receipt of full payment of the contract price and that of the completion of the project, are expected within one year and significant financing component is not expected to be significant.

The adoption of this interpretation has no significant effect on the consolidated financial statements as the development of the Group's real estate inventories were completed prior to sale.

(c) *Presentation of Consolidated Financial Statements*

The consolidated financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*. The Group presents a consolidated statement of comprehensive income separately from the consolidated statement of income.

The Group presents a third consolidated statement of financial position as at the beginning of the preceding period when it applies an accounting policy retrospectively or makes a retrospective restatement or reclassification of items that has a material effect on the information in the consolidated statement of financial position at the beginning of the preceding period. The related notes to the third consolidated statement of financial position are not required to be disclosed.

(d) *Functional and Presentation Currency*

These consolidated financial statements are presented in Philippine pesos, the Group's functional and presentation currency, and all values represent absolute amounts except when otherwise indicated.

Items included in the consolidated financial statements of the Group are measured using its functional currency. Functional currency is the currency of the primary economic environment in which the Group operates.

**2.2 Adoption of Amended PFRS Accounting Standards**

(a) *Effective in 2025 that are Relevant to the Group*

The Group adopted for the first time the following amendments to PFRS Accounting Standards, which are mandatorily effective for annual periods beginning on or after January 1, 2025:

- (i) PAS 21 (Amendments), *The Effects of Changes in Foreign Exchange Rates – Lack of Exchangeability* (effective from January 1, 2025)

(b) *Effective Subsequent to 2025 but not Adopted Early*

There are amendments to existing standards effective for annual periods subsequent to 2025, which are adopted by the FSRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and unless otherwise indicated, none of these are expected to have significant impact on the Group's consolidated financial statements:

- (i) PFRS 9 and PFRS 7 (Amendments), *Financial Instruments, and Financial Instruments: Disclosures – Amendments to the Classification and Measurement of Financial Instruments* (effective from January 1, 2026)
- (ii) PFRS 18, *Presentation and Disclosure in Financial Statements* (effective from January 1, 2027). The new standard impacts the classification of profit or loss items (i.e., into operating, investing and financing categories) and the presentation of subtotals in the statement of profit or loss (i.e., operating profit and profit before financing and income taxes). The new standard

also changes the aggregation and disaggregation of information presented in the primary financial statements and in the notes. It also introduces required disclosures about management-defined performance measures. The new standard, however, do not affect how the Group recognizes and measures its financial condition, financial performance and cash flows.

- (iii) PFRS 19, *Subsidiaries Without Public Accountability: Disclosures* (effective from January 1, 2027). The new standard reduces the disclosure requirements prescribed by other standards for subsidiaries without public accountability. It changes disclosure requirements prescribed by other standards as the reporting entity will instead refer to PFRS 19 for required disclosures.
- (iv) PFRS 10 and PAS 28 (Amendments), *Consolidated Financial Statements and Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (effective date deferred indefinitely).

### **2.3 Basis of Consolidation**

The Group's consolidated financial statements comprise the accounts of the Parent Company and its subsidiaries as enumerated in Note 1.1, after the elimination of intercompany transactions.

Financial statements of entities in the Group that are prepared as of a date different from that of the date of these consolidated financial statements were adjusted to recognize the effects of significant transactions or events that occur between that date of their reporting period and the date of these consolidated financial statements. Adjustments are also made to bring into line any dissimilar accounting policies that may exist.

Subsidiaries are consolidated from the date the Group obtains control. The Parent Company reassesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the elements of controls. Accordingly, entities are deconsolidated from the date that control ceases (see Note 1.1).

The acquisition method is applied to account for acquired subsidiaries. On an acquisition-by-acquisition basis, the excess of the consideration transferred, the amount of any non-controlling interest (NCI) in the acquiree and the acquisition-date fair value of any existing equity interest in the acquiree over the acquisition-date fair value of identifiable net assets acquired is recognized as goodwill.

Acquired investment in an associate is subject to the purchase method.

The Group's transactions with NCI that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners of the Group in their capacity as owners.

## **2.4 Financial Instruments**

Financial assets and financial liabilities are recognized when the entity becomes a party to the contractual provisions of the instrument. Regular purchases and sales of financial assets are recognized on their settlement date (i.e., the date that the Group commits to purchase or sell the asset).

### *(a) Financial Assets*

#### *(i) Classification, Measurement and Reclassification of Financial Assets*

The Group's financial assets include financial assets at amortized cost and at fair value through other comprehensive income (FVOCI).

##### *Financial Assets at Amortized Cost*

The Group's financial assets at amortized cost are presented in the consolidated statement of financial position as Cash and Cash Equivalents, Short-term Placements, Trade and Other Receivables (except advances to suppliers and employees), Advances to Related Parties, Investment in Bonds, Refundable deposits (presented as part of Other Current Assets), Refundable deposits, Deposit to supplier (presented as part of Other Current Assets) and Cash bond (presented as part of Other Non-current Assets).

##### *Financial Assets at FVOCI*

At initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate equity investments as at FVOCI; however, such designation is not permitted if the equity investment is held by the Group for trading or as mandatorily required to be classified as fair value through profit or loss (FVTPL). The Group has irrevocably designated equity instruments as at FVOCI on initial recognition.

The Group can only reclassify financial assets if the objective of its business model for managing those financial assets changes.

A change in the objective of the Group's business model will take effect only at the beginning of the next reporting period following the change in the business model.

#### *(ii) Impairment of Financial Assets*

At the end of the reporting period, the Group assesses and recognizes its expected credit loss (ECL) on a forward-looking basis associated with its financial assets carried at amortized cost. The measurement of ECL involves consideration of broader range of information that is available without undue cost or effort at the reporting date about past events, current conditions, and reasonable and supportable forecasts of future economic conditions (i.e., forward-looking information) that may affect the collectability of the future cash flows of the financial assets. Measurement of the ECL is determined by a probability-weighted estimate of credit losses



over the expected life of the financial instruments evaluated based on a range of possible outcomes.

The Group applies the simplified approach in measuring ECL, which uses a lifetime expected loss allowance for all trade and other receivables, except for loans receivables with significant financing component, and advances to related parties. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial assets.

To calculate the ECL using a provision matrix, the Group uses its historical experience, external indicators and forward-looking information.

The Group also assesses impairment of trade receivables on a collective basis as they possess shared credit risk characteristics and have been grouped based on the days past due.

For loans receivables, which is presented under Trade and Other Receivables account in the consolidated statement of financial position, the Group recognizes lifetime ECL when there has been a significant increase in credit risk on a financial asset since initial recognition. Lifetime ECL represents the expected credit loss that will result from all possible default events over the expected life of a financial asset, irrespective of the timing of the default. However, if the credit risk on a financial asset has not increased significantly since initial recognition, the Group measures and provides for credit losses that are expected to result from default events that are possible within 12-months after the end of the reporting period.

For debt instruments (i.e., investment in bonds) measured at amortized cost, the allowance for credit losses is based on the ECL associated with the probability of default of a financial instrument in the next 12 months, unless there has been a significant increase in credit risk since the origination of the financial asset, in such case, a lifetime ECL for a purchased or originated credit impaired, the allowance for credit losses is based on the change in the ECL over the life of the asset. The Group recognized a loss allowance for such losses at each reporting date.

The Group determines whether there has been a significant increase in credit risk for financial asset since initial recognition by comparing the risk of default occurring over the expected life of the financial asset between the reporting date and the date of the initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that may indicate an actual or expected deterioration of the credit quality of the financial assets.

(b) *Financial Liabilities*

Financial liabilities include Trade and Other Payables (excluding tax-related liabilities, contract liability, advances from customers and reserve for warranty costs), Lease Liabilities, Advances from Related Parties, Interest-bearing Loans and Refundable Deposits.

## ***2.5 Merchandise Inventories and Supplies***

Inventories are valued at the lower of cost and net realizable value (NRV). The cost is determined using the moving average method.

## ***2.6 Real Estate Inventories***

Real estate inventories consist of land and land development costs and property development costs.

Subsequent to initial recognition, land and land development costs and property development costs are stated at the lower of cost and net realizable value. An item of land and land development cost is derecognized upon disposal or when no future economic benefits are expected to arise from the sale of asset.

## ***2.7 Property and Equipment***

Property and equipment, except land, are carried at acquisition cost or construction cost less subsequent depreciation, amortization and any impairment losses. Land held for use in production or administration is stated at cost less any impairment losses. Construction in progress pertains to the accumulated costs of putting up the assets, additions or improvements including the applicable borrowing cost.

Depreciation is computed on the straight-line basis over the estimated useful lives of the assets as follows:

Buildings and improvements	10 to 25 years
Test, communication and other equipment	5 to 20 years
Machinery and equipment	5 to 10 years
Transportation equipment	5 years
Computer system	2 to 5 years
Furniture, fixtures and office equipment	2 to 5 years
Tools and equipment	2 to 3 years

Leasehold improvements are amortized over the estimated useful lives of the assets from two to 15 years or the terms of the relevant leases, whichever is shorter.

## ***2.8 Intangible Assets***

Intangible assets include non-proprietary club shares and computer software licenses, which are accounted for under the cost model.

The Group's non-proprietary club shares are assessed as having indefinite useful life.

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and install the specific software. Capitalized costs are amortized on a straight-line basis over the estimated useful lives (ranging from three to ten years) as the lives of these intangible assets are considered finite. Costs associated with maintaining computer software and those costs associated with research activities are recognized as expense in profit or loss as incurred. Development costs not meeting these criteria for capitalization are expensed as incurred.

Intangible assets are subject to impairment testing when indications exist, as described in Note 2.13.

## ***2.9 Investment Properties***

Investment properties are accounted for under the fair value model. It is revalued annually and is included in the consolidated statement of financial position at its fair value. Fair value is supported by market evidence and is determined by independent appraisers with sufficient experience with respect to both the location and the nature of the investment property.

Investment properties, which consists mainly of land and improvements, and buildings and improvements under operating lease agreements, are initially measured at acquisition cost, including transaction costs.

Construction in progress pertains to the accumulated costs of putting up the assets, additions or improvements including the applicable borrowing cost.

Transfers from other accounts (such as Land and Land Development Costs and Property and Equipment) are made to investment properties when and only when, there is a change in use, evidenced by ending of owner-occupation or commencement of an operating lease to another party. Transfers from investment properties are made when, and only when, there is a change in use, evidenced by commencement of the owner-occupation or commencement of development with a view to sell.

For tax purposes, investment properties are carried at cost less accumulated depreciation computed on a straight-line basis over the estimated net useful lives of the assets ranging from 11 to 25 years.

## ***2.10 Business Combinations***

Business acquisitions are accounted for using the acquisition method of accounting.

Subsequent to initial recognition, goodwill is measured at cost less any accumulated impairment losses. Negative goodwill is charged directly to profit or loss. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses.

If the business combination is achieved in stages, the acquirer is required to remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognize the resulting gain or loss, if any, in the profit or loss or other comprehensive income, as appropriate.

## ***2.11 Revenue and Expense Recognition***

Revenue comprises revenue from sale of goods and real estate and the rendering of services measured by reference to the fair value of consideration received or receivable by the Group for the goods sold and services rendered, excluding value-added tax (VAT) and trade discounts.

The Group often enters into transactions involving the sale of goods and real estate and rendering of services. The transaction price allocated to performance obligations satisfied at a point in time is recognized as revenue when control of the goods or services transfers to the customer. If the performance obligation is satisfied over time, the transaction price

allocated to that performance obligation is recognized as revenue as the performance obligation is satisfied. The Group uses the practical expedient in PFRS 15 with respect to non-disclosure of the aggregate amount of the transaction price allocated to unsatisfied or partially satisfied performance obligations as of the end of the reporting period and the explanation of when such amount will be recognized as revenue as the Group's contracts with customers have original expected duration of one year or less, except for real estate sales.

In addition, the following specific recognition criteria must also be met before revenue is recognized significant judgments in determining the timing of satisfaction of the following performance obligations are disclosed in Note 3.1(b):

- (a) *Rendering of services (other than commission income)* – Revenue, which primarily arise from service fees, room and events services, assembly and test lab services, warehousing and repair services, is recognized by the amount in which the Group has a right to invoice that corresponds directly with the value of services rendered that is completed over a period of time.
- (b) *Sale of goods* – Revenue, which primarily includes the sale of handsets, devices, accessories, equipment, appliances and modular houses, is recognized at a point in time. This is generally when the customer has taken an undisputed delivery of goods.
- (c) *Warranty and network support fee (shown as part of Rendering of Services)* – Revenue from warranty and network support fee is recognized over time upon actual rendering of in-warranty and out-of-warranty services to the customers. Revenue from network support, which is a fixed amount per month as indicated in the contract, is accrued at the end of each month.
- (d) *Sale of real estate*
  - (i) *Sale of real estate on pre-completed real estate properties* – Revenue from real estate sales is recognized over time proportionate to the progress of the development. The Group measures its progress based on actual costs incurred relative to the total expected costs to be incurred in completing the development.
  - (ii) *Sale of real estate on completed real estate properties* – Revenue from real estate sales is recognized at a point in time when the control over the real estate property is transferred to the buyer.

Payments received from buyers which do not meet the revenue recognition criteria are presented as Customers' Deposits in the consolidated statement of financial position.

- (e) *Commission income (shown as part of Rendering of Services)* – Commission income is recognized over time when the performance of contractually agreed tasks have been substantially rendered.
- (f) *Service charges and penalties* – Revenue from service charges and penalties is generally recognized over time when the service has been provided and when there is reasonable degree of certainty as to their collectability.

- (g) *Other revenues from utilities charged and common use service area (CUSA)* – Other revenues arising from utilities and CUSA charges related to leasing activities are recognized over time as the Group performs the contractually agreed task. Customers are invoiced monthly as work progresses, which are also due upon receipt by the customers.

The Group assesses its revenue agreement against the specific criteria in order to determine if it is acting as a principal or an agent [see Note 3.1(h)]. Billings from the common area, air conditioning, utilities and other dues are presented at net amounts since the Group acts as a principal. Other revenues from electricity and water dues, in which the Group acts as an agent, are presented in excess of actual charges and consumption.

Further, the Group provides a product warranty for a period of 15 months from the time of sale on its sales of goods related to hidden and manufacturer's defect. Under the terms of this warranty, customers can return the product for repair or replacement if it fails to perform in accordance with published specifications. These warranties are accounted for under PAS 37, *Provisions, Contingent Liabilities, and Contingent Assets*. However, if the Group is required to refund the related purchase price for returned goods, it recognizes a refund liability for the expected refunds by adjusting the amount of revenues recognized during the period.

In obtaining customer contracts, the Group incurs incremental costs. As the expected amortization period of these costs, if capitalized, would be less than one year, the Group uses the practical expedient in PFRS 15 and expenses such costs as incurred. The Group also incurs costs in fulfilling contracts with customers. However, as those costs are within the scope of other financial reporting standards, the Group accounts for those costs in accordance with accounting policies related to those financial reporting standards.

Costs and expenses are recognized in profit or loss upon utilization of goods or services or at the date they are incurred. Expenditure for warranties is recognized and charged against the associated provision when the related revenue is recognized. All finance costs are reported in the consolidated statement of income on an accrual basis, except capitalized borrowing costs, if applicable, which are included as part of the cost of the related qualifying asset.

## **2.12 Leases**

The Group accounts for its leases as follows:

- (a) *Group as a Lessee*

Subsequent to initial recognition, the Group depreciates the right-of-use asset on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. Further, the lease liability will be reduced for payments made and increased for interest. The lease liability is remeasured to reflect any reassessment or modification, or if there are changes in substance fixed payments.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset

and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

(b) *Group as a Lessor*

Leases which do not transfer to the lessee substantially all the risks and rewards of ownership of the asset are classified as operating leases. Lease income from operating leases is recognized in the consolidated statement of income on a straight-line basis over the lease term.

**2.13 Impairment of Non-financial Assets**

The Group's property and equipment, investment in an associate, intangible assets (presented under non-current assets), right-of-use assets and other non-financial assets are subject to impairment testing. Intangible assets with an indefinite useful life or those not yet available for use are tested for impairment at least annually. All other individual assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount of those assets may not be recoverable.

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. Except for impairment losses on goodwill, an impairment loss is reversed if the asset or cash-generating unit's recoverable amount exceeds its carrying amount.

**2.14 Employee Benefits**

The Group provides post-employment benefits to employees through a defined benefit plan and defined contribution plans, and other employee benefits.

The Group's defined benefit post-employment plan covers all regular full-time employees. The pension plan is tax-qualified, non-contributory, and administered by an investment manager. The defined benefit obligation is calculated annually by an independent actuary using the projected unit credit method.

A defined contribution plan is a post-employment plan under which the Group pays fixed contributions into an independent entity. The Group has no legal or constructive obligation to pay further contributions after payment of the fixed contribution.

Termination benefits are payable when employment is terminated by the Group for authorized cause before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits.

Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the end of the reporting period. They are included in the Trade and Other Payables in the consolidated statement of financial position at the undiscounted amount that the Group expects to pay as a result of the unused entitlement.

Short-term employee benefits are monetary and non-monetary benefits provided to current employees, which are expected to be settled 12 months after the end of the reporting period during which the employee services are rendered.

### 3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements in accordance with PFRS Accounting Standards requires management to make judgments and estimates that affect amounts reported in the consolidated financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately differ from these estimates.

#### ***3.1 Critical Management Judgments in Applying Accounting Policies***

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimation, which have the most significant effect on the amounts recognized in the consolidated financial statements:

##### *(a) Determination of Lease Term of Contracts with Renewal and Termination Options*

In determining the lease term, management considers all relevant factors and circumstances that create an economic incentive to exercise a renewal option or not exercise a termination option.

Renewal options and/or periods after termination options are only included in the lease term if the lease is reasonably certain to be extended or not terminated and the renewal of the contract is not subject to mutual agreement of both parties.

For leases of payment centers, the factors that are normally the most relevant are (a) if there are significant penalties should the Group pre-terminate the contract, and (b) if any leasehold improvements are expected to have a significant remaining value, the Group is reasonably certain to extend and not to terminate the lease contract. Otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

The Group included the renewal period as part of the lease term for leases of some of its payment centers due to the significance of these assets to its operations. These leases have a short, non-cancellable lease period (i.e., one to five years) and there will be a significant negative effect on operations if a replacement is not readily available. However, there are other payment centers wherein the provision in the contract requires mutual agreement of both parties on the terms and agreements of the renewal and termination of the lease contract; hence, renewal options for these leases were not included as part of the lease term.

The lease term is reassessed if an option is actually exercised or not exercised or the Group becomes obliged to exercise or not exercise it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the Group.

(b) *Determination of Timing of Satisfaction of Performance Obligations*

(i) *Rendering of Services*

The Group determines that its revenue from rendering of services shall be recognized over time. In making its judgment, the Group considers the timing of receipt and consumption of benefits provided by the Group to the customers. The Group provides the services without the need of reperformance of other companies. This demonstrates that the customers simultaneously receive and consume the benefits of the Group's rendering of the services as it performs.

In determining the best method of measuring the progress of the Group's rendering of services, management considers the output method under PFRS 15 because it directly measures the value of the services transferred to the customer.

(ii) *Sale of Goods*

The Group determines that its revenue from sale of goods shall be recognized at a point in time when the control of the goods has passed to the customer (i.e., generally when the customer has acknowledged delivery of the goods).

(iii) *Sale of Real Estate*

The Group exercises critical judgment in determining whether the performance obligation to deliver and transfer the control over the real estate properties (i.e., land and condominium building) to customers is satisfied over time or at a point in time.

In making this judgment, the Group considers the delivery to and acceptance by the buyer of the property as a transfer of control at specific point in time since the Group does not have a significant continuing involvement with the property sold to the buyer and the earning process is virtually complete. Further, the Group's enforceable right for payment becomes due upon transfer of control over the real estate property. The Group's management determines that its revenue from the sale of real estate inventories, which are completed and ready for use, shall be recognized at a point in time when the control has transferred to the customer (see Note 2.11).

(c) *Determination of ECL on Trade and Other Receivables, Investment in Bonds and Advances to Related Parties*

The Group uses a provision matrix to calculate ECL for trade and other receivables. The provision matrix is based on the Group's historical observed default rates. The Group's management intends to regularly calibrate (i.e., on an annual basis) the matrix to consider the historical credit loss experience with forward-looking information (i.e., forecast economic conditions).

For loans receivables (presented under Trade and Other Receivables account), the allowance for impairment is based on the ECL associated with the probability of default of a financial instrument in the next 12 months, unless there has been a



significant increase in credit risk since origination of the financial instrument, in such case, a lifetime ECL for the instrument is recognized.

The Group also uses an external benchmarking approach to calculate ECL for investment in bonds. The provision rates are derived from published credit ratings by external rating agencies. As referenced to these external credit benchmarks, the Group defines the credit ratings based on certain financial ratios and appropriately determines the equivalent internal credit ratings. Referenced probability of default is then derived from the latest annual global corporate default study published by the external rating agency. The Group makes an annual reassessment of the applicability and reliability of the reference rates used.

The Group has established a policy to perform an assessment, at the end of each reporting period, whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Other portion of the Group's financial asset at amortized cost pertains to advances to related parties. In relation to this, the maximum period over which ECL should be measured is the longest contractual period where an entity is exposed to credit risk. In the case of these advances to related parties, which are repayable on demand, the contractual period is the very short period needed to transfer the cash once demanded. Management determines possible impairment based on the sufficiency of the related parties' highly liquid assets in order to repay the Group's receivables if demanded at the reporting date taking into consideration the historical defaults of the related parties. If the Group cannot immediately collect its receivables, management considers the expected manner of recovery to measure ECL. If the recovery strategies indicate that the outstanding balance of receivables can be collected, the ECL is limited to the effect of discounting the amount due over the period until cash is realized.

The details about the ECL on the Group's trade and other receivables, investment in bonds and advances to related parties are disclosed in Notes 6, 7.2, 25.4, 28.2(b), 28.2(c) and 28.2(e).

(d) *Costing of Merchandise Inventories and Supplies*

The Group's inventory costing policies and procedures were based on a careful evaluation of present circumstances and facts affecting production operations. A review of the benchmarks set by management necessary for the determination of inventory costs and allocation is performed regularly. Actual data are compared to the related benchmarks and critical judgment is exercised to assess the reasonableness of the costing policies and procedures which are currently in place and to make the necessary revisions in light of current conditions.

(e) *Distinguishing Business Combination and Asset Acquisition*

The Group determines whether the acquisition of an entity constitutes a business acquisition or an asset acquisition. The accounting treatment for the acquisition is determined by assessing whether the transaction involved a purchase of a business, as defined in PFRS 3, *Business Combinations*, taking into consideration the substance of the transaction. Failure to make the right judgment will result in misstatement of assets.

On initial recognition, the assets and liabilities of the acquired businesses and the consideration paid for them are included in the consolidated financial statements at their fair values. In measuring fair value, management uses estimates of future cash flows and discount rates. Any subsequent change in these estimates will affect the amount of goodwill if the change qualifies as a measurement period adjustment. Any other change would be recognized in profit or loss in the subsequent period.

Management has assessed that the acquisition of ownership in Avid is to be accounted for as a business combination since it does constitute an acquisition of a business.

*(f) Distinction Between Investment Properties, Owner-occupied Properties and Real Estate Inventories*

The Group determines whether a property qualifies as investment property. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to the properties but also to other assets used in the production or supply process. On the other hand, real estate inventories are properties intended to be sold in the normal course of business.

*(g) Distinction Between Operating and Finance Leases for Contracts where the Group is the Lessor*

The Group has entered into various lease agreements as either a lessor or lessee. Critical judgment was exercised by management to distinguish each lease agreement as either an operating or finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities. Based on the management's judgment, all of the Group's lease agreements were determined to be operating leases.

*(h) Evaluating Principal Versus Agent Consideration*

The Group exercises judgment to determine whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e., the Group is a principal) or to arrange for the other party to provide those goods or services (i.e., the Group is an agent). Failure to make the right judgment will result in misstatement of revenues and expenses accounts. The Group assessed that it is only acting as an agent for utility transactions of its tenants under operating leases. The amount of utility revenues which were amounted to P7.6 million and P4 million in 2025 and 2024, respectively, in the consolidated statements of income.

*(i) Recognition of Provisions and Contingencies*

Provisions are recognized when present obligations will probably lead to an outflow of economic resources, and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. Similarly, possible outflows of economic benefits to the Group that do not meet the recognition criteria of a liability are considered contingent liabilities, hence, are not recognized in the consolidated financial statements.

Judgment is exercised by management to distinguish between provisions and contingencies. Disclosures on relevant provisions and contingencies are presented in Note 27.

### **3.2 Key Sources of Estimation Uncertainty**

Presented below and on the succeeding pages are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period:

#### *(a) Determination of Appropriate Discount Rate in Measuring Lease Liabilities*

The Group measures its lease liabilities at the present value of the lease payments that are not paid at the commencement date of the lease contract. The lease payments were discounted using a reasonable rate deemed by management equal to the Group's incremental borrowing rate.

In determining a reasonable discount rate, management considers the term of the leases, the underlying asset and the economic environment. Actual results, however, may vary due to changes in estimates brought about by changes in such factors.

#### *(b) Estimation of Allowance for ECL*

The measurement of the allowance for ECL on financial assets at amortized cost is an area that requires the use of significant assumptions about the future economic conditions and credit behavior (e.g., likelihood of customers defaulting and the resulting losses).

Specifically for loans receivables, the Group's ECL calculations are outputs of complex models with a number of underlying assumptions which include: (1) the Group's criteria for assessing if there has been a significant increase in credit risk; and, (2) development of expected credit loss models, including the choice of inputs relating to macroeconomic variables.

Explanation of the inputs, assumptions and estimation used in measuring ECL is further detailed in Notes 6, 7.2, 25.4, 28.2(b), 28.2(c) and 28.2(e).

#### *(c) Fair Value Measurement for Financial Instruments*

Management applies valuation techniques to determine the fair value of financial instruments where active market quotes are not available. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument.

Where such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the end of the reporting period. The carrying values of the Group's financial assets at FVOCI and the amounts of fair value changes recognized on those assets are disclosed in Note 7.

(d) *Determination of Net Realizable Value of Merchandise Inventories and Supplies*

In determining the net realizable value of merchandise inventories and supplies, management takes into account the most reliable evidence available at the time the estimates are made.

The Group's core business is continuously subject to rapid technology changes which may cause inventory obsolescence. Moreover, future realization of the carrying amounts of inventories is affected by price changes in different market segments of electronic devices, modular houses, broadcast equipment and accessories (see Note 8). Both aspects are considered key sources of estimation uncertainty and may cause significant adjustments to the Group's merchandise inventories and supplies within the next reporting period.

(e) *Determination of Net Realizable Value of Real Estate Inventories*

The Group adjusts the cost of its real estate inventories to net realizable value based on its assessment of the recoverability of real estate inventories. The net realizable value for completed real estate inventories is assessed with reference to market conditions and prices existing at the reporting date and is determined by the Group in the light of recent market transactions.

Net realizable value in respect of real estate inventories under construction is assessed with reference to market prices at the reporting date for similar property at the same stage of completion, less estimated costs to complete construction and less estimated costs to sell. The amount and timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized.

Management's assessment of net realizable value of properties under development requires the estimates of future cash flows to be derived from these properties. These estimates require judgment as to the anticipated sale prices by reference to recent sales transactions in nearby locations, rate of new property sales, marketing costs (including price discounts required to stimulate sales) and the expected costs to completion of properties, the legal and regulatory framework and general market conditions.

The carrying amounts of the real estate inventories are disclosed in Note 9.

(f) *Estimation of Useful Lives of Right-of-Use Assets, Property and Equipment and Intangible Assets*

The Group estimates the useful lives of right-of-use assets, property and equipment and intangible assets based on the period over which the assets are expected to be available for use. The estimated useful lives of these assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical/commercial obsolescence and legal or other limits on the use of the assets.

The carrying amounts of right-of-use assets, property and equipment and intangible assets are analyzed in Notes 10.1, 11 and 13.1, respectively. Based on management's assessment as of March 31, 2025 there is no change in the estimated useful lives of property and equipment during those years. Actual

results, however, may vary due to changes in estimates brought about by changes in the factors mentioned above.

(g) *Fair Value Measurement of Investment Properties*

The Group's investment properties, which consists of parcels of land and improvements and buildings and improvements, are carried at fair value at the end of the reporting period. In determining the fair value of these assets, the Group engages the services of professional and independent appraisers applying the relevant valuation methodologies as discussed in Note 30.4.

For investment properties with appraisals conducted prior to the end of the current reporting period, management determines whether there are significant circumstances during the intervening period that may require adjustments or changes in the disclosure of fair value of those properties.

A significant change in these elements may affect prices and the value of the assets. The amounts of fair value gains recognized on investment property are disclosed in Note 12.

(h) *Determination of Realizable Amount of Deferred Tax Assets*

The Group reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized.

The carrying value of recognized deferred tax assets, which management assessed may be fully utilized in the coming years, as of March 31, 2025 is disclosed in Note 22.2. Certain deferred tax assets, however, were not recognized since management believes that there is no assurance that the related tax benefits will be realized in the coming years.

(i) *Impairment of Non-financial Assets*

In assessing impairment, management estimates the recoverable amount of each asset or a cash-generating unit based on expected future cash flows and uses an interest rate to calculate the present value of those cash flows. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate. Though management believes that the assumptions used in the estimation of fair values reflected in the consolidated financial statements are appropriate and reasonable, significant changes in those assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

Based on management's assessment, certain non-financial assets were impaired in 2024 (see Note 7.3). Consequently, the Group recognizes loss on impairment for these assets (see Note 18).

(j) *Estimation of Reserve for Warranty Costs*

The Group offers a warranty, for a period ranging from one to two years, for each consumer electronic product sold. Management estimates the related provision for future warranty costs based on a certain percentage of sales, as determined based on historical warranty claim information as well as recent trends that might suggest that past cost information may differ from expectations. Warranty costs also include the actual cost of materials used in repairing the electronic products.

The amounts of provision for warranty claims recognized and the outstanding balance of Reserve for warranty costs, which is presented as part of Trade and Other Payables in the consolidated statements of financial position, are disclosed in Note 15.

(k) *Valuation of Post-employment Defined Benefit*

The determination of the Group's obligation and cost of post-employment benefit is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 21.2 and include, among others, discount rates and expected rate of salary increases. A significant change in any of these actuarial assumptions may generally affect the recognized expense, other comprehensive income or losses and the carrying amount of the post-employment benefit asset and obligation in the next reporting period.

The amounts of the fair value of the retirement benefit asset and present value of retirement benefit obligation and the analysis of the movements in the fair value of the retirement benefit asset and present value of retirement benefit obligation, as well as the significant assumptions used in estimating such asset and obligation are presented in Note 21.2.

#### 4. SEGMENT INFORMATION

##### 4.1 *Business Segments*

Operating segments are reported in a manner consistent with the internal reporting provided to the Parent Company's BOD, its chief operating decision-maker. The BOD is responsible for allocating resources and assessing the performance of the operating segments.

In identifying its operating segments, management generally follows the Group's products and services. The Group's main operating businesses are organized and managed separately according to the nature of services and products provided and the different markets served, with each segment representing a strategic business unit as each of these services requires different technologies and resources as well as marketing approaches.

The Group's different business segments are presented as follows:

- (a) Distribution/Retail is involved in the sale of mobile phones and devices, home appliances and other electronic products, professional audio and video equipment, and prefabricated modular houses;

- (b) Property and related services are involved in the leasing, development and sale of industrial and other real estate properties and hotel and restaurant operations;
- (c) Logistics and technical solutions are presently engaged in the business of warehousing and distribution; and,
- (d) Investment and others include investment holding companies, and those included in the business of financing and credit extension.

The measurement policies of the Group used for segment reporting under PFRS 8, *Operating Segments*, are the same as those used in its consolidated financial statements. In addition, corporate resources, which are not directly attributable to the business activities of any operating segment, are not allocated to a segment.

Segment assets are allocated based on their use or direct association with a specific segment and they include all operating assets used by each business segment and consist principally of operating cash, receivables, inventories, investment properties and property and equipment, net of allowances and provisions.

Similar to segment assets, segment liabilities include all operating liabilities used by each segment and consist principally of accounts, wages, taxes currently payable and accrued liabilities. Segment assets and liabilities do not include deferred taxes.

Segment revenues, expenses and performance include sales and purchases between business segments; such sales and purchases are eliminated in the consolidation.

## 4.2 Analysis of Segment Information

The tables below and on the succeeding page present certain asset and liability information regarding business segments as of March 31, 2025 and December 31, 2024 and the related revenue and profit information for the period ended March 31, 2025 and March 31, 2024 (amounts are in thousands).

<i>(Amounts in PHP)</i>	<u>Distribution/ Retail</u>	<u>Property and Related Services</u>	<u>Logistics and Technical Solutions</u>	<u>Investment and Others</u>	<u>Elimination</u>	<u>Total</u>
<b>2025</b>						
<b>SEGMENT RESULTS</b>						
Total Revenues	273,168	172,234	206,823	44,867	(34,453)	662,639
Net Profit (Loss)	(14,433)	64,022	41,166	14,023	-	104,778
<b>SEGMENT ASSETS AND LIABILITIES</b>						
Total assets	948,058	12,063,017	882,864	9,315,137	(7,656,603)	15,552,473
Total liabilities	283,110	2,427,745	146,851	96,064	(265,509)	2,688,261

<i>(Amounts in PHP)</i>	<b>Distribution/ Retail</b>	<b>Property and Related Services</b>	<b>Logistics and Technical Solutions</b>	<b>Investment and Others</b>	<b>Elimination</b>	<b>Total</b>
<b>2024</b>						
SEGMENT RESULTS						
Total Revenues	303,955	92,875	153,581	39,927	(28,711)	561,627
Net profit (loss)	460	(180)	21,114	18,845	-	40,239
SEGMENT ASSETS AND LIABILITIES						
Total assets	978,414	12,030,537	838,038	9,305,823	(7,651,886)	15,500,926
Total liabilities	299,321	2,463,629	143,191	93,591	(265,485)	2,734,247

There have been no significant changes from prior periods in the measurement methods used to determine reported segment information.

### ***4.3 Disaggregation of Revenues from Contracts with Customers and Other Counterparties***

When the Group prepares its investor presentations and when the Group management evaluates the financial performance of the operating segments, it disaggregates revenue similar to its segment reporting as presented in Note 4.2. The Group determines that the categories used in the investor presentations and financial reports used by the Group's management can be used to meet the objective of the disaggregation disclosure requirement of PFRS 15, which is to disaggregate revenue from contracts with customers and other counterparties (except for rentals accounted for under PFRS 16 included herein as additional information) into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. A summary of additional disaggregation from the segment revenues and other unallocated income are shown below (amounts in thousands).

<i>(Amounts in PHP)</i>	<b>Segment Revenues (Sales to External Customers)</b>				
	<b>Point in time</b>	<b>Over time</b>	<b>Leases</b>	<b>Interest</b>	<b>Total</b>
<b>March 31, 2025</b>					
Distribution/retail	270,741	2,426	-	-	273,168
Logistics and technical solutions	14,918	156,266	34,986	-	206,170
Property and related services	-	28,344	116,030	-	144,374
Investments and others	-	17,122	-	21,806	38,928
	<b>285,659</b>	<b>204,158</b>	<b>151,016</b>	<b>21,806</b>	<b>662,639</b>
<b>March 31, 2024</b>					
Distribution/retail	297,313	6,642	-	-	303,955
Logistics and technical solutions	8,464	117,802	26,442	-	152,709
Property and related services	8,125	16,685	45,333	-	70,143
Investments and others	-	16,222	-	18,598	34,820
	<b>313,902</b>	<b>157,351</b>	<b>71,775</b>	<b>18,598</b>	<b>561,627</b>



The Group's segment revenues (sales to external customers) include rendering of services, sale of goods, rentals and sale of real estate which are presented in the consolidated statements of income.

## 5. CASH AND CASH EQUIVALENTS AND SHORT-TERM PLACEMENTS

### 5.1 *Cash and Cash Equivalents*

Cash and cash equivalents include the following components as of March 31:

<i>(Amounts in PHP)</i>	<b>2025</b>	<b>2024</b>
Cash on hand and in banks	<b>237,510,023</b>	399,838,255
Cash equivalents	<b>2,382,049,780</b>	2,678,063,678
	<b><u>2,619,559,803</u></b>	<u>3,077,901,933</u>

Cash in banks generally earn interest based on daily bank deposit rates. Cash equivalents pertain to highly liquid short-term investment with maturity periods varying from one to 90 days and earn annual interests ranging from 0.188% to 5.800% and 4.00% to 6.25%, in 2025 and 2024 respectively.

Interest earned from cash in banks and cash equivalents are presented as part of Interest under Revenues and as part of Finance income under Other Income (Charges) in the consolidated statements of income (see Note 20.2).

### 5.2 *Short-term Placements*

Short-term placements, which is presented separately in the consolidated statements of financial position, pertain to time deposits with maturity periods varying between 91 to 365 days and earns effective interests ranging from 5.25% to 5.80% in 2025 and 4.05% in 2024. As of March 31, 2025 and December 2024, short-term placements amounting to P618.3 million and P200.3 million, respectively, are presented separately in the consolidated statements of financial position.

Interest earned from short-term placements is presented as part of Interest under Revenues and as part of Finance income under Other Income (Charges) in the consolidated statements of income (see Note 20.2). The outstanding balance of such interest is presented as Interest receivable under Trade and Other Receivables in the consolidated statements of financial position (see Note 6).

## 6. TRADE AND OTHER RECEIVABLES

This account is composed of the following:

<i>(Amounts in PHP)</i>	Notes	2025	2024
Current:			
Trade receivables	6.1		
	26.1, 26.3	<b>361,777,045</b>	331,358,344
Loans receivable	6.3	<b>46,958,329</b>	55,231,555
Advances to:			
Suppliers	6.2(a)	<b>18,901,954</b>	13,562,252
Employees	6.2(b)	<b>4,288,165</b>	2,970,066
Rental receivables	6.5	<b>139,416,353</b>	98,796,871
Interest receivable	5.2, 7.2	<b>12,727,962</b>	10,496,718
Other receivables	6.6	<b>29,772,990</b>	30,176,956
		<b>613,842,798</b>	542,592,762
Allowance for impairment	6.7	<b>(107,630,928)</b>	(106,840,641)
		<b>506,211,870</b>	435,752,121
Non-current:			
Cash surrender value of investment in life insurance	6.4	<b>450,822,247</b>	451,773,013
Loans receivables	6.3	<b>12,698,072</b>	1,334,754
		<b>463,520,319</b>	453,107,767
		<b>969,732,189</b>	888,859,888

All trade and other receivables are subject to credit risk exposure [see Note 28.2(b)]. The Group does not identify the specific concentration of credit risk with regard to trade and other receivables as the amounts recognized resemble a large number of receivables from various customers.

### 6.1 Trade Receivables

Aside from the sales of goods and services, trade receivables also include the Group's receivables related to the sold condominium units which are being paid for by the customers in monthly installments. Certain receivables from trade customers are covered by post-dated checks. Trade receivables are measured at amortized cost and have annual effective interest rates ranging from 3.3% to 5.0% in 2024 depending on the payment terms. Trade receivables which are expected to be settled beyond one year after the end of the reporting period are classified as non-current trade and other receivables.

Trade receivables from the sale of goods and services are usually due within 30 to 90 days, generally unsecured and do not bear interest.

## **6.2 Advances**

### *(a) Suppliers*

Generally, advances to suppliers include advance payments made to suppliers for future purchases of mobile phone units and accessories and for the purchases of pro-tapes, video and medical equipment, and spare parts. In 2023, the Group made an advance payment to its third-party supplier for the construction of an investment property in Calamba, Laguna (see Note 12). The construction was completed in 2024 and the advances were all applied as payment to the contractors involved in the construction of the investment property.

Advances to suppliers that will be applied as payment for future purchase of merchandise inventories and supplies are classified and presented under Current Assets. On the other hand, advances to contractors and/or suppliers that will be applied as payment for future acquisition or construction of items of property and equipment, or acquisition and construction of investment property are classified and presented under the Non-Current Assets. The classification and presentation are based on the eventual usage or realization of the asset to which it was advanced for.

### *(b) Employees*

Advances to employees represent unsecured, noninterest-bearing cash advances for business-related expenditures and are subject to liquidation.

## **6.3 Loans Receivables**

Loans receivables pertain to appliances loans, business loans and car loans offered by the Group to its customers. Loans receivables that are expected to be settled beyond one year after the end of the reporting period or in the normal operating cycle of the business, if longer, are classified as part of non-current trade and other receivables.

Interest income recognized on the Group's loans receivables amounted to P2.3 million and P1.9 million in 2025 and 2024, respectively, and are presented as part of Interest under Revenues in the consolidated statements of income. The effective interest rates on loans receivables ranging from 5.00% to 36.00% both in 2025 and 2024. There was no outstanding interest on loans receivable as of March 31, 2025 and 2024.

## **6.4 Cash Surrender Value of Investment in Life Insurance**

Cash surrender value of investment in life insurance pertains to insurance policies purchased by BRL for certain directors of the Parent Company. The beneficiary of this investment in life insurance is the Parent Company and accounted for under the cash surrender value method. Under this method, the initial cash surrender value of the insurance policies is recognized immediately in the consolidated statements of financial position. Subsequently, any increase in cash surrender value is recognized as part of Finance income under Other Income (Charges) in the consolidated statements of income (see Note 20.2). In 2025 and 2024, the increase in cash surrender value amounted to P4.0 million and P10.0 million, respectively.

In 2024, the Group terminated two life insurance policies and received proceeds amounting to P547.0 million.

### **6.5 Rental Receivables**

Rental receivables represent uncollected monthly receivables from a related party and third-party tenants of the Group. This includes rent receivables arising from the application of PFRS 16, which represent the difference between the cash basis rent income and the straight-line rent income of all outstanding lease contracts as of the end of the reporting periods.

### **6.6 Other Receivables**

Other receivables include the following:

- amounts due from credit card companies for the sale of Closed Circuit Television (CCTV), which are collected the following day the receivables are recognized;
- testing fees and utility charges billed by the Group to its lessees;
- unsecured, noninterest-bearing cash advances made to Homeowners' Association for expenses incurred by the unit owners and related outstanding receivables; and,
- retention fees and other claims to government (i.e., Social Security System).

### **6.7 Allowance for Impairment**

All of the Group's trade and other receivables have been assessed for impairment based on the ECL model. The fair value of these short-term financial assets is not individually determined as the carrying amount is a reasonable approximation of fair value. Based on management's assessment of the ECL using the simplified approach, certain trade receivables were found to be impaired; hence, adequate amount of allowance for impairment have been recognized.

## **7. INVESTMENTS**

### **7.1 Financial Assets at Fair Value Through Other Comprehensive Income**

The Group has equity securities pertaining to its 33% equity ownership interest in the common stock of Sony Philippines, Inc. (SPI). This investment is related to the Joint Venture Agreement (JVA) executed in 1997 with Sony Corporation of Japan which has expired on May 8, 2005. On April 11, 2005, the Group received a formal notice of the expiry of the JVA. The Group and Sony Corporation have both agreed to pursue negotiations for an equitable settlement of all matters relating to the JVA and its expiration. The Group determined that the fair value of this investment is nil as of March 31, 2025 and 2024.

On the other hand, the fair values of the Group's investments in club shares amounting to P74.2 million, which represent proprietary membership club shares as of March 31, 2025 and December 31, 2024, respectively, have been determined based on quoted prices in less active markets due to lack of trading activities among its participants (see Note 30.2).

The recognized fair value gains are presented as items that will not be reclassified subsequently to profit or loss under Other Comprehensive Income in the consolidated statements of comprehensive income.

## **7.2 Investment in Bonds**

In 2021, the Group invested in held-to-collect corporate bonds, classified, and measured at amortized cost, amounting to P20.0 million, which bear fixed interest rate of 4.34% per annum and will mature on October 12, 2027. The amount of investment is presented as Investment in Bonds in the consolidated statements of financial position. There were no additional investments made in 2024 and 2023.

Interest income generated from investment in bonds amounting to P0.2 million in 2025 and 2024 are presented as part of Interest under Revenues section of the consolidated statements of income. The outstanding balance of such interest amounting to P0.2 million as of March 31, 2025 and December 31, 2024 is presented as part of Interest receivable under Trade and Other Receivables in the consolidated statements of financial position (see Note 6).

The Group's investment in bonds, which are subject to credit risk exposure [see Note 28.2(e)], has been reviewed for impairment. Based on such review, the management determines that no impairment loss is needed to be recognized in 2025 and 2024 as the bonds were in good credit standing as of March 31, 2025 and December 31, 2024.

## **7.3 Investment in an Associate**

The Parent Company's investment in an associate pertains to its ownership interest in Fekon. Fekon is a private company incorporated and domiciled in the Philippines. Fekon's primary purpose is to engage in the business of manufacturing, selling, distributing, marketing, trading and assembling of all kinds of goods such as but not limited to motorcycles, e-bicycles, motor parts and products, electronic devices and other electronic merchandise.

Fekon's registered office address and principal place of business is located at Block 7, Lot 8B, San Simon Industries Park, San Isidro, San Simon, Pampanga.

In 2022, the Group made additional deposits in the share of Fekon, totaling P11.5 million in relation to the planned increase in authorized capital stock of the latter. There were no additional deposits made in 2025 and 2024.

As of December 31, 2024, Fekon is still in the process of completing its documents on its application to increase its authorized capital stock with the Commission. Management believes that upon approval by the Commission, the Group will have significant influence with 44% ownership interest over Fekon. Accordingly, the deposits are recognized as Investment in an Associate in the consolidated statements of financial position. The total equity interest of the Group is at 44% as of December 31, 2024.

Initially, the Group's investment is measured at cost and subsequently, upon approval of the application with the Commission, will be measured using the equity method.

The summarized unaudited financial information for Fekon is shown below.

<i>(Amounts in PHP)</i>	<u>2024</u>
Current assets	<b>205,836,650</b>
Non-current assets	<u><b>11,262,650</b></u>
Total assets	<u><b>217,099,300</b></u>
Current liabilities	<b>72,625,623</b>
Non-current liabilities	<u><b>6,500,289</b></u>
Total liabilities	<u><b>79,125,912</b></u>
Revenues	<u><b>106,314,483</b></u>
Net loss during the year	<u><b>10,829,891</b></u>

In December 2024, due to the downturn in Fekon business prospects, the Group recognized an impairment loss relative to its investment amounting to P10.0 million.

## 8. MERCHANDISE INVENTORIES AND SUPPLIES

Inventories at the end of 2025 and 2024 were stated at lower of cost or NRV. The details of inventories are shown below.

<i>(Amounts in PHP)</i>	<u>Note</u>	<u>2025</u>	<u>2024</u>
At cost:			
Merchandise inventories	17.1	<b>171,795,364</b>	166,582,721
Service parts, supplies and others		<u><b>29,333,784</b></u>	<u>30,386,685</u>
		<u><b>201,129,148</b></u>	<u>196,969,406</u>
At NRV			
Merchandise inventories	17.1	<b>213,902,565</b>	219,842,080
Service parts, supplies and others		<u>-</u>	<u>25,111</u>
		<u><b>213,902,565</b></u>	<u>219,867,191</u>
Allowance for inventory obsolescence		<u><b>(63,265,556)</b></u>	<u>(63,265,556)</u>
		<u><b>150,637,009</b></u>	<u>156,601,635</u>
		<u><b>351,766,157</b></u>	<u>353,571,041</u>

The Group's inventories are primarily composed of appliances, handsets, devices, accessories, professional tapes, equipment, spare parts and modular houses.

The movements in the allowance for inventory obsolescence are as follows:

<i>(Amounts in PHP)</i>	<u>2025</u>	<u>2024</u>
Balance at beginning of year	<b>63,265,556</b>	28,663,956
Impairment losses	-	38,481,157
Reversal of allowance for inventory obsolescence	-	(3,879,557)
	<u><b>63,265,556</b></u>	<u>63,265,556</u>

The Group recognized a net provision for inventory obsolescence amounting to nil in 2024 and a net reversal of provision from previous write-down of inventories upon sale of those inventories amounting to P2.2 million 2023, respectively. The net provision and reversal are included as an adjustment to Cost of Sales in the consolidated statements of income (see Notes 17.1 and 18).

The Group has no outstanding purchase commitment for the acquisition of merchandise inventories and supplies as of March 31, 2025 and December 31, 2024.

An analysis of the cost of merchandise inventories charged to operations is presented in Note 17.1.

## 9. REAL ESTATE INVENTORIES

This account is composed of:

<i>(Amount in PHP)</i>	<u>Notes</u>	<u>2025</u>	<u>2024</u>
Land and land development costs	9.1	<b>26,386,874</b>	26,386,874
Property development costs	9.2	<b>398,580,639</b>	398,580,639
		<u><b>424,967,513</b></u>	<u>424,967,513</u>

### 9.1 Land and Land Development Costs

In 2024, Starworld sold a parcel of road lot to Calamba Premier Realty Corporation for P67.7 million. The gain on sale of road lot is presented as part of Other gains under the Other Income (Charges) section of the 2024 audited consolidated statement of income.

Management believes that the carrying values of these assets are lower than their realizable values considering present market rates; thus, no valuation allowance has been provided in the financial statements.

### 9.2 Property Development Costs

The Group, through ZTC, has initiated the planning and construction of the Tri Towers condominium building. Construction was started by ZTC in 2005. The construction of Tower 1 and Tower 2 were completed in 2008 and 2012, respectively, and while the construction of Tower 3 has not yet started, it has already incurred expenses for the planning phase as of March 31, 2025.

Property development costs, at the end of each reporting periods, represent condominium units for sale, office tower units, construction in progress of land and Tower 3, office tower and parking units for which Group has been granted permit to sell by the Housing and Land Use Regulatory Board of the Philippines.

In 2024, the Group sold real estate inventories amounting to P8.1 million, which is presented as Real estate sales under the Revenues section of the 2024 consolidated statement of income.

Based on management's assessment, the related asset is still recoverable as of the end of the reporting periods (see Note 27.2).

## **10. LEASES**

The Group is a lessee under non-cancellable operating leases covering certain office spaces and store branches. The lease for these office spaces and store branches has a term of one to five years. Generally, termination of lease contracts shall be communicated to the lessee by the lessor prior to the termination or expiration of the lease contract. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected in the consolidated statements of financial position as a right-of-use asset and a lease liability. Variable lease payments not based on an index or rate are excluded from the initial measurement of the lease liability and asset.

The Group classifies its right-of-use assets and lease liabilities as separate line items in the consolidated statements of financial position.

Leases generally restrict the use of the right-of-use assets to the Group, unless explicitly allowed for sublease. They are either non-cancellable or may only be terminated with a substantive fee. Some leases include options to purchase the underlying leased asset or extend the lease term. The Group is prohibited from selling or pledging the lease assets as collateral.

Under the lease agreements, the Group is responsible for maintaining the leased properties in good condition, ensuring they are returned in their original state at the lease end. Additionally, it must ensure the leased assets and cover related maintenance costs.

Refundable security deposits represent the lease deposits made for the lease of the Group's business spaces, both short and long-term lease agreements. Related security deposits for these leases amounted to P39.4 million and P41.9 million as of March 31, 2025 and December 31, 2024, respectively, and are presented as part of Other Current Assets and Other Non-current Assets in the consolidated statements of financial position (see Note 13). Refundable security deposits which are expected to be settled beyond one year after the end of the reporting period are classified as non-current assets.



### 10.1 Right-of-use Assets

The carrying amounts of the Group's right-of-use assets, which pertain to office spaces and store branches, as of March 31, 2025 and December 31, 2024, including the movements during the reporting period are shown below.

<i>(Amounts in PHP)</i>	<u>Note</u>	<u>2025</u>	<u>2024</u>
Balance at beginning of year		<b>3,004,500</b>	4,665,980
Additions			6,368,902
Amortization	18	<b>(807,434)</b>	(8,030,382)
Balance at end of year		<b><u>2,197,066</u></b>	<b><u>3,004,500</u></b>

### 10.2 Lease Liabilities

Lease liabilities are presented in the consolidated statements of financial position as of March 31, 2025 and December 31, 2024 as follows:

<i>(Amounts in PHP)</i>	<u>2025</u>	<u>2024</u>
Current	<b>2,586,092</b>	3,405,363
Non-current	<b><u>502,510</u></b>	<u>502,510</u>
	<b><u>3,088,602</u></b>	<b><u>3,907,873</u></b>

The movements in the lease liabilities recognized in the consolidated statements of financial position as of December 31 are as follows:

<i>(Amounts in PHP)</i>	<u>Note</u>	<u>2025</u>	<u>2024</u>
Balance at beginning of year		<b>3,907,873</b>	5,120,889
Additional lease liabilities		-	6,368,902
Repayments of lease liabilities	10.4	<b>(819,271)</b>	(7,975,734)
Interest accretion	10.4	-	393,816
		<b><u>3,088,602</u></b>	<b><u>3,907,873</u></b>

The use of extension and termination options gives the Group added flexibility in the event it has identified more suitable premises in terms of cost and/or location or determined that it is advantageous to remain in a location beyond the original lease term. An option is only exercised when consistent with the Group's regional markets strategy and the economic benefits of exercising the option exceed the expected overall cost.

The table below describes the nature of the Group's leasing activities by type of right-of-use asset recognized in the consolidated statements of financial position as of March 31, 2025 and December 31, 2024.

	<u>Number of right-of-use assets leased</u>	<u>Range of Remaining term</u>	<u>Average remaining lease term</u>	<u>Number of leases with extension options</u>	<u>Number of leases with termination options</u>
Office space and store branches	7	3 months to 1.5 year	1 year	1	2

As of March 31, 2025 and December 31, 2024, the Group has no commitments for leases entered into which had not commenced.

### ***10.3 Lease Payments Not Recognized as Liabilities***

The Group has elected not to recognize lease liabilities for short-term leases or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis. In addition, certain variable lease payments are not permitted to be recognized as lease liabilities and are expensed as incurred.

The amount of expense relating to short-term leases for the year ended March 2025 and 2024 is allocated in the consolidated statements of income as follows:

<i>(Amounts in PHP)</i>	<u>Notes</u>	<u>2025</u>	<u>2024</u>
Cost of services	17.2	<b>5,176,321</b>	3,223,886
Cost of rental	17.3	<b>54,000</b>	54,600
General and administrative expenses		<b><u>13,962,136</u></b>	<u>10,513,845</u>
	18	<b><u>19,192,457</u></b>	<u>13,792,331</u>

### ***10.4 Additional Profit or Loss and Cash Flow Information***

The total cash outflow in respect of leases, including interest, amounted to P874 thousand and P346 thousand in 2025 and 2024, respectively. Interest expense in relation to lease liabilities is presented as part of Finance costs under Other Income (Charges) in the consolidated statements of income (see Note 20.1).

## 11. PROPERTY AND EQUIPMENT

The gross carrying amounts and accumulated depreciation, amortization and impairment losses of property and equipment at the beginning and end of 2025 and 2024 are shown below.

<i>(Amounts in PHP)</i>	Land	Buildings and Improvements	Machinery and Equipment	Furniture, Fixtures, and Office Equipment	Transportation Equipment	Test, Communication And Other Equipment	Computer System	Leasehold Improvement	Tools and Equipment	Construction in Progress	Total
<b><u>March 31, 2025</u></b>											
Cost	1,278,354,682	420,325,286	213,615,563	311,865,171	255,186,913	46,184,771	86,811,440	141,377,546	100,454,247	59,108,101	2,913,283,721
Accumulated depreciation and amortization	-	(254,722,805)	(189,467,537)	(275,364,551)	(221,473,417)	(36,796,078)	(78,371,191)	(130,735,992)	(83,680,206)	14,346,250	(1,256,265,527)
Accumulated impairment losses	-	(35,000,000)	-	-	-	-	-	-	-	(14,346,250)	(49,346,250)
Net carrying amount	<u>1,278,354,682</u>	<u>130,602,481</u>	<u>24,148,026</u>	<u>36,500,620</u>	<u>33,713,496</u>	<u>9,388,693</u>	<u>8,440,249</u>	<u>10,641,554</u>	<u>16,774,041</u>	<u>59,108,101</u>	<u>1,607,671,944</u>
<b><u>December 31, 2024</u></b>											
Cost	1,278,354,682	402,796,870	198,689,135	333,954,562	309,259,474	30,969,248	87,322,925	124,563,193	114,828,730	63,412,571	2,944,151,390
Accumulated depreciation and amortization	-	(232,053,766)	(183,663,094)	(306,599,905)	(259,421,674)	(23,448,244)	(78,202,499)	(115,121,278)	(98,060,444)	14,346,250	(1,282,224,654)
Accumulated impairment losses	-	(35,000,000)	-	-	-	-	-	-	-	(14,346,250)	(49,346,250)
Net carrying amount	<u>1,278,354,682</u>	<u>135,743,104</u>	<u>15,026,041</u>	<u>27,354,657</u>	<u>49,837,800</u>	<u>7,521,004</u>	<u>9,120,426</u>	<u>9,441,915</u>	<u>16,768,286</u>	<u>63,412,571</u>	<u>1,612,580,486</u>

Construction in progress pertains to the accumulation of costs incurred on building improvements being constructed in various properties of the Group. There were no constructions completed in 2024 yet. In 2024 and 2023, no borrowing costs were capitalized.

In 2024, the Group transferred land from Property and Equipment, with a carrying amount of P10.0 million, to Investment Properties (see Note 12).

In 2024, the Group cancelled certain construction in progress amounting to P9.4 million resulting to the reduction of construction in progress.

In 2024, the Group sold certain items of property and equipment with carrying amount of P7.8 million. Aside from these assets, the Group also disposed of certain fully depreciated and amortized items of property and equipment with original cost of P4.1 million in 2024. The Group recognized a gain on disposal of these assets. (see Note 20.3).

The amount of depreciation and amortization computed on property and equipment is presented as part of the following accounts:

<i>(Amounts in PHP)</i>	Notes	2025	2024
Cost of services	17.2	<b>10,227,968</b>	10,551,943
Cost of rentals	17.3	<b>4,812,884</b>	3,465,777
General and administrative expenses		<b>5,247,291</b>	4,462,291
Selling and distribution cost		<b>1,285,272</b>	845,253
	18	<b><u>21,573,415</u></b>	<b><u>19,325,264</u></b>

As of March 31, 2025 and December 31, 2024, none of the Group's property and equipment were held as collateral for loans. Further, no impairment losses were recognized in 2025 and 2024 as the management believes that the carrying amount of property and equipment is recoverable in full.

There were no restrictions on titles and items of property and equipment as of March 31, 2025 and December 31, 2024.

## 12. INVESTMENT PROPERTIES

The Group's investment properties, accounted for under the fair value method, consist mainly of land and improvements, and buildings and improvements that are held under operating lease agreements. These properties earn rental income amounting to P151 million and P71 million in 2025 and 2024, respectively, and are presented as Rentals under Revenues in the consolidated statements of income. The Group also incurred direct costs such as real property taxes, depreciation and amortization and utilities, which are presented as part of Cost of Rentals in the consolidated statements of income (see Note 17.3).

The fair values of the Group's investment properties as of December 31, 2024 were determined based on appraisal report dated November 19, 2024. Management obtains annual appraisal reports on its investment properties from independent appraisers (see Note 30.4).

The changes in the carrying amounts of investment property as presented in the consolidated statements of financial position are summarized as follows:

<i>(Amounts in PHP)</i>	<b>Land and Improvements</b>	<b>Building and Improvement</b>	<b>Construction in Progress</b>	<b>Total</b>
<b>2025:</b>				
Balance at beginning of year	5,601,997,151	2,353,512,353	86,171,773	8,041,681,277
Additions	1,175,390	6,654,346	14,043,954	21,873,690
Fair value gains (losses) – net (see Note 19)	-	-	-	-
Disposals	-	-	-	-
Transfer from property and equipment	-	-	-	-
Reclassification	-	-	-	-
<b>Balance at end of year</b>	<b><u>5,603,172,541</u></b>	<b><u>2,360,166,699</u></b>	<b><u>100,215,727</u></b>	<b><u>8,063,554,967</u></b>
<b>2024:</b>				
Balance at beginning of year	5,120,560,888	769,699,957	1,076,906,086	6,967,166,931
Additions	1,560,385	209,551	961,958,246	963,728,182
Fair value gains (losses) – net (see Note 19)	544,512,783	(281,239,605)	-	263,273,178
Disposals	(74,892,929)	(87,594,085)	-	(162,487,014)
Transfer from property and equipment	10,000,000	-	-	10,000,000
Reclassification	256,024	1,952,436,535	(1,952,692,559)	-
<b>Balance at end of year</b>	<b><u>5,601,997,151</u></b>	<b><u>2,353,512,353</u></b>	<b><u>86,171,773</u></b>	<b><u>8,041,681,277</u></b>

In 2024, the Group completed the construction of certain buildings, building improvements and land improvements. The Group capitalized borrowing costs in 2024 amounting to P18.1 million (see Note 14).

In 2024, the Group transferred land with a carrying amount of P10.0 million from Property and Equipment to Investment Properties upon the commencement of lease (see Note 11).

In 2022, the Group paid cash bond amounting to P15.0 million for its application for conversion of land and is presented as part of Cash bond under Other Non-current Assets in the consolidated statements of financial position (see Note 13.2).

In 2024, the Group received payment from an association managing an industrial park as compensation for damages to Group's property, which is presented under Other Operating Income in the consolidated statements of income (see Note 19).

The Group sold certain land and building and improvements in 2024. The related gain and loss on these sales is presented under Other gains under Other Income (Charges) in the consolidated statements of income (see Note 20.3).

Certain investment property is used as collateral on loan payable as of March 31, 2025 (see Note 14).

### 13. OTHER ASSETS

The composition of these accounts is shown below.

<i>(Amounts in PHP)</i>	<u>Notes</u>	<u>2025</u>	<u>2024</u>
Current:			
Input VAT – net	13.3	<b>356,366,176</b>	351,547,938
Creditable withholding taxes		<b>130,588,604</b>	128,030,214
Prepayments	13.3	<b>18,305,173</b>	30,192,368
Refundable deposits	10	<b>34,252,751</b>	35,617,193
Deferred input VAT	13.3	<b>4,991,498</b>	5,584,341
Deferred costs	13.3	<b>13,846,430</b>	13,846,430
Others		<b>5,301,805</b>	2,375,393
		<u><b>563,652,437</b></u>	<u>567,193,877</u>
Non-current:			
Cash bond	13.2	<b>15,635,346</b>	15,635,346
Intangible assets – net	13.1	<b>13,168,871</b>	13,189,231
Refundable deposits	10	<b>5,172,628</b>	6,300,583
Others	13.3	<b>14,442,545</b>	13,088,848
		<u><b>48,419,390</b></u>	<u>48,214,008</u>
		<u><b>612,071,827</b></u>	<u>615,407,885</u>

#### 13.1 Intangible Assets

Intangible assets include non-proprietary club shares and computer software licenses, which are accounted for under the cost model.

Intangible assets are subject to annual impairment testing whenever there is an indication of impairment. Certain non-proprietary club shares were assessed to be impaired as determined by the management; hence, an adequate amount of allowance for impairment has been recognized in prior years. There were no impairment losses recognized in 2025 and 2024 as the recoverable amount of intangible assets determined by management is higher than the carrying value.

There are no intangible assets that have been pledged as security for any liabilities. Further, there were no other contractual commitments entered into in 2025 and 2024 related particularly for intangible assets.

#### 13.2 Cash Bond

Cash bond represents payments made by the Group for its application for conversion of land (see Note 12). It also includes the deposits made with the Bureau of Customs for taxes and duties related to its importations. As of March 31, 2025 and December 31, 2024, the total amount is currently demandable; however, the Group does not expect to refund the cash bond within 12 months from the end of the reporting period.

### 13.3 Others

In 2024, certain input VAT of the Group was found to be impaired by the management; hence, adequate amounts of allowance for impairment have been recognized.

Prepayments pertain to prepaid insurance, prepaid rent, and prepayments for professional fees, import charges and others.

Deferred costs represent the cost of inventories which have not been charged to cost of sales pending the completion of the Group's certain projects. In 2024, deferred costs were incurred due to additional projects during the year.

Deposits to suppliers represent the refundable amount paid by the Group to its suppliers for the distribution utilities provided to the Group.

Other current assets include deferred installation costs which pertain to the costs paid by the Group to its contractors for the installation of modular houses. Upon completion of installation, the cost is transferred to cost of sales. On the other hand, other non-current assets mostly pertain to land properties held by SMC which are subject to transfer to certain individuals under R.A. No. 6657, *Comprehensive Agrarian Reform Law of 1988*.

## 14. INTEREST-BEARING LOAN

The Group received proceeds from the long-term loan obtained from a local bank amounting to P770.0 million in 2024, used to partially finance the construction of warehouse facility in Calamba, Laguna. The outstanding loans have a term of ten years with a two-year grace period. The loan bears interest ranging from 6.00% to 6.95% per annum subject to quarterly interest rate repricing. The related debt issuance costs particularly documentary stamp tax are presented as part of Taxes and licenses under General and Administrative Expenses in the consolidated statement of income (see Note 18). In 2024, the Group capitalized borrowing costs amounting to P18.1 million.

The loan is secured by a real estate mortgage for a total amount of P1.2 billion on real estate property recorded as part of Investment Properties in the consolidated statements of financial position (see Note 12) and a suretyship agreement with one subsidiary.

Pursuant to the terms of these loan agreements, the Group is required to comply with certain financial covenants. The Group is required to maintain a maximum debt-to-equity ratio of 3.00:1.00 starting December 31, 2023, and a minimum debt-service coverage ratio of 1.25:1.00 commencing January 1, 2026. As of March 31, 2025 and December 31, 2024, the Group has been complaint with the financial covenants.

As of March 31, 2025, the Group's interest-bearing loans amounted to P875 million, of which P9.8 million being due within one year is presented separately under Current Liabilities. The remaining P865.0 million, which is due beyond one year, is classified as non-current and presented under Non-current Liabilities in the consolidated statements of financial position.

## 15. TRADE AND OTHER PAYABLES

This account consists of:

<i>(Amounts in PHP)</i>	<u>Notes</u>	<u>2025</u>	<u>2024</u>
Trade payables		<b>296,605,975</b>	324,605,911
Refundable deposits	16, 25.2	<b>34,829,215</b>	121,115,031
Non-trade payables		<b>43,797,888</b>	50,442,908
Unearned rentals	16	<b>89,830,204</b>	42,011,665
Accrued expenses		<b>48,321,367</b>	32,718,770
Contract liability		<b>17,673,304</b>	17,673,304
Withholding taxes payable		<b>7,031,473</b>	10,589,366
Advances from customers		<b>3,895,350</b>	8,089,418
Deferred output VAT		<b>10,059,505</b>	7,713,717
Output VAT		<b>15,995,713</b>	6,134,661
Rentals payable		<b>4,278,523</b>	4,278,523
Reserve for warranty costs		<b>4,155,716</b>	4,223,759
Retention payable		<b>1,175,791</b>	1,329,603
Other payables		<b>22,485,957</b>	27,199,661
		<b><u>600,135,981</u></b>	<b><u>658,126,297</u></b>

Trade payables mainly represent obligations to various suppliers for the acquisition of goods, materials and supplies necessary for the Group's operations and productions.

Nontrade payables are the obligations arising from transactions that are not within the ordinary course of business which includes lessees' deposits for electricity, communication costs, gasoline expenses, professional fees and others.

Accrued expenses include amounts charged for rentals, outside services, salaries and other incidental operating expenses of the Group which are expected to be settled within the next reporting period.

The Group receives refundable deposits from various lessees. The long-term portion of the refundable deposits from various tenants is shown as a separate line item in the consolidated statements of financial position (see Note 16). Refundable deposits are remeasured at amortized cost using effective interest rates ranging from 5.45% to 9.63% in 2024 at the inception of the lease term.

Contract liability arises when payment is received from customers prior to the delivery and installation of the equipment.

Unearned rentals represent advance payments received from lessees.

Advances from customers pertain to the integration services in progress and customer deposit on sale of goods paid in advance to the Group.

Management considers the carrying amounts of trade and other payables recognized in the consolidated statements of financial position to be reasonable approximation of their fair values.



## 16. REFUNDABLE DEPOSITS

The Group has long-term refundable deposits from various tenants. These refundable deposits are remeasured at amortized cost using the effective interest ranging from 3.48% to 5.50% at the inception of the lease terms.

In 2022, the Group entered into a Built-to-Specification Agreement (BTSA) with a third-party lessee for the development of a warehouse. Under the agreement, the lessee will lease the warehouse for a period of 15 years, with an option to renew for an additional five years. As security, the Group received a deposit of P172.4 million to safeguard against potential non-payment by the lessee once the lease conditions have been fulfilled.

On October 15, 2024, the initial certificate of completion was issued. Consequently, in accordance with the amended lease contract and upon the lessee's acceptance of the initial certification of completion, the Group converted the P86.2 million to advance rental and applied to the monthly rental starting August 1, 2024 until fully consumed. The corresponding unearned rental amounting to P27.0 million is presented as part of Unearned rental under Trade and Other Payables in the 2024 consolidated statement of financial position (see Note 15).

As of December 31, 2024, construction of the warehouse has been completed according to specifications outlined in the BTSA, and the property has been reclassified from "Construction in Progress" to "Building and Improvements" under "Investment Properties" in the statements of financial position (see Note 12). Rental income from this lease is recognized under Rentals under Revenues.

As of March 31, 2025 and December 31, 2024, the outstanding balance of these refundable deposits amounted to P56.4 million and P142.8 million, respectively, presented separately under Trade and Other Payables in the Current Liabilities section and Refundable Deposits in the Non-current Liabilities section of the consolidated statements of financial position.

## 17. COSTS OF SALES, SERVICES, RENTALS AND REAL ESTATE SALES

### 17.1 Cost of Sales

The details of this account are shown below.

<i>(Amounts in PHP)</i>	<u>Notes</u>	<u>2025</u>	<u>2024</u>
Merchandise inventories at beginning of year	8	386,424,801	319,319,293
Net purchases of merchandise inventories during the year	18, 25.1	224,466,129	322,530,090
Goods available for sale		610,890,930	641,849,383
Merchandise inventories at end of year	8	(385,697,934)	(397,259,439)
	18	<u>225,192,996</u>	<u>244,589,944</u>

## 17.2 Cost of Services

The following are the breakdown of direct costs and expenses from rendering of services:

<i>(Amounts in PHP)</i>	<u>Notes</u>	<u>2025</u>	<u>2024</u>
Subcontracting services		<b>36,827,697</b>	26,414,512
Service fees		<b>17,668,299</b>	16,719,268
Materials, supplies, and other consumables		<b>19,592,413</b>	17,498,138
Depreciation and amortization	10.1, 11	<b>10,227,968</b>	10,853,024
Salaries and employee benefits	21.1	<b>16,149,322</b>	13,637,848
Transportation and travel		<b>12,182,159</b>	8,631,595
Outside services		<b>7,592,210</b>	6,867,402
Rentals	10.3	<b>5,176,321</b>	3,223,886
Repairs and maintenance		<b>4,271,210</b>	994,339
Communication, light and water		<b>2,118,745</b>	1,968,172
Taxes and licenses		<b>39,297</b>	1,129,165
Food and beverage		<b>2,115,983</b>	1,068,242
Insurance		<b>1,255,008</b>	1,025,215
Integration		<b>2,819,467</b>	1,234,713
Others		<b>2,606,556</b>	2,649,203
	18	<b>140,642,655</b>	113,914,722

## 17.3 Cost of Rentals

The details of this account are as follows:

<i>(Amounts in PHP)</i>	<u>Notes</u>	<u>2025</u>	<u>2024</u>
Taxes and licenses		<b>35,055,212</b>	27,563,846
Depreciation and amortization	11	<b>4,812,884</b>	3,465,777
Outside services		<b>3,083,477</b>	3,176,909
Repairs and maintenance		<b>2,874,217</b>	1,641,228
Salaries and employee benefits	21.1	<b>303,315</b>	279,740
Association dues		<b>758,290</b>	
Rentals	10.3	<b>54,000</b>	54,600
Utilities & Communication		<b>5,116,569</b>	1,713,077
Others		<b>1,654,126</b>	2,444,094
	18	<b>53,712,090</b>	40,339,271

Others primarily consist of franchise fees and insurance expenses.

## 17.4 Cost of Real Estate Sales

This account pertains to the Group's cost of condominium units and parking lots amounting to P4.0 million (see Note 18). There was no sale of real estate inventories in 2025.

## 18. OPERATING EXPENSES BY NATURE

The details of operating expenses by nature are shown below.

<i>(Amounts in PHP)</i>	<u>Notes</u>	<u>2025</u>	<u>2024</u>
Net purchases of merchandise inventories	17.1, 25.1	<b>224,466,128</b>	322,530,091
Salaries and employee benefits	21.1, 21.2, 25.8	<b>73,678,886</b>	66,080,231
Subcontracting services		<b>41,433,767</b>	32,394,852
Depreciation and amortization	10.1, 11, 13.1	<b>22,380,849</b>	19,626,345
Materials, supplies and other consumables		<b>21,207,274</b>	18,568,479
Service fees		<b>17,668,299</b>	16,719,268
Taxes and licenses	1.1, 14	<b>54,935,565</b>	49,864,088
Utilities and communication		<b>23,862,721</b>	18,744,142
Rentals	10.3	<b>19,192,457</b>	13,792,331
Outside services	1.1	<b>17,799,936</b>	16,035,520
Transportation and travel		<b>17,946,255</b>	12,806,491
Repairs and maintenance		<b>10,622,451</b>	6,468,919
Selling and bank charges		<b>6,294,023</b>	4,613,728
Installation cost		<b>287,811</b>	779,737
Representation and entertainment		<b>3,009,100</b>	2,092,323
Advertising and promotions		<b>950,446</b>	1,542,081
Cost of real estate sales	17.4		3,962,442
Food and beverage		<b>2,115,983</b>	1,068,242
Warranty claims		<b>2,080</b>	13,500
Reversal of impairment on trade and other receivables – net	6.7	<b>(1,023,182)</b>	-
Insurance		<b>3,543,017</b>	3,917,765
Integration		<b>2,819,467</b>	1,234,713
Changes in merchandise, finished goods and work-in-process inventories	17.1	<b>726,867</b>	(77,940,146)
Miscellaneous		<b>8,581,188</b>	9,096,420
		<b><u>572,501,388</u></b>	<b><u>544,011,562</u></b>

These expenses are classified in the consolidated statements of income as follows:

<i>(Amounts in PHP)</i>	<u>Notes</u>	<u>2025</u>	<u>2024</u>
Cost of sales	17.1	<b>225,192,996</b>	244,589,944
Cost of services	17.2	<b>140,642,655</b>	113,914,722
General and administrative expenses		<b>110,834,910</b>	105,679,381
Selling and distribution costs		<b>42,118,737</b>	35,525,802
Cost of rentals	17.3	<b>53,712,090</b>	40,339,271
Cost of real estate sales	17.4	<b>-</b>	3,962,442
		<b><u>572,501,388</u></b>	<b><u>544,011,562</u></b>

## 19. OTHER OPERATING INCOME

The breakdown of this account is as follows:

<i>(Amounts in PHP)</i>	<u>Notes</u>	<u>2025</u>	<u>2024</u>
Income from utilities			
charged to tenants		<b>7,636,576</b>	4,064,148
Common usage service area	25.5	<b>6,921,398</b>	6,592,387
Compensation for damages	12	<b>1,339,286</b>	1,339,285
Forfeited customer deposit		<b>752,004</b>	423,793
Service income from			
bank guarantee		<b>1,676,338</b>	-
Supplier supports		<b>1,531,104</b>	1,140,260
Miscellaneous – net		<b>997,377</b>	416,366
		<b><u>20,854,083</u></b>	<b><u>13,976,239</u></b>

Service income from bank guarantee pertains to the amount charged by the lessor to the lessee as specified in the lease agreement. The agreement stipulates that the lessor will secure a loan equal to the bank guarantee or security deposit, and in exchange, the lessee will then pay a specified amount, the calculation of which is detailed in the agreement.

## 20. OTHER INCOME (CHARGES)

### 20.1 Finance Costs

This account consists of the following:

<i>(Amounts in PHP)</i>	<u>Notes</u>	<u>2025</u>	<u>2024</u>
Foreign currency			
exchange losses		<b>174,091</b>	222,667
Interest expense on:			
Lease liabilities	10.4	<b>54,868</b>	8,716
Interest-bearing loans		<b>14,109,236</b>	2,285,147
Miscellaneous		<b>17,736</b>	76,739
		<b><u>14,355,931</u></b>	<b><u>2,593,269</u></b>

### 20.2 Finance Income

This account consists of the following:

<i>(Amounts in PHP)</i>	<u>Notes</u>	<u>2025</u>	<u>2024</u>
Interest income from:			
Cash and cash equivalents			
short term placements	5	<b>22,381,181</b>	22,227,133
Real estate sales	6.1	-	2,752
Increase in cash surrender value			
of investment in life insurance	6.4	<b>4,008,623</b>	10,810,642
Foreign currency exchange gains		<b>78,791</b>	114,296

Others	<u>316,710</u>	<u>-</u>
	<u>26,785,305</u>	<u>33,154,823</u>

### 20.3 Other Gains

The breakdown of this account is as follows:

<i>(Amounts in PHP)</i>	<u>Notes</u>	<u>2025</u>	<u>2024</u>
Gain (loss) on sale of investment properties – net	12, 25.6	-	6,290,786
Proceeds from insurance		<b>6,258,000</b>	
Gain on sale of property and equipment	11	<b>5,357</b>	46,429
Miscellaneous		<u>462,979</u>	<u>493,856</u>
		<u>6,726,336</u>	<u>6,831,071</u>

## 21. EMPLOYEE BENEFITS

### 21.1 Salaries and Employee Benefits Expense

Expenses recognized for salaries and employee benefits are summarized below.

<i>(Amounts in PHP)</i>	<u>Notes</u>	<u>2025</u>	<u>2024</u>
Short-term benefits		<b>73,678,886</b>	66,080,231
	18	<u>73,678,886</u>	<u>66,080,231</u>

These expenses are classified in the consolidated statements of income as follows:

<i>(Amounts in PHP)</i>	<u>Notes</u>	<u>2025</u>	<u>2024</u>
General and administrative expenses		<b>47,377,234</b>	43,398,635
Cost of services	17.2	<b>16,149,322</b>	13,637,848
Selling and distribution costs		<b>9,849,015</b>	8,764,008
Cost of rentals	17.3	<u>303,315</u>	<u>279,740</u>
	18	<u>73,678,886</u>	<u>66,080,231</u>

## 21.2 *Post-employment Benefits*

### (a) *Characteristics of the Defined Benefit Plan*

The Group maintains a funded, tax-qualified, non-contributory post-employment benefit plan that is being administered by an investment manager that is legally separated from the Group. The investment manager manages the fund in coordination with the Group's management who acts in the best interest of the plan assets and is responsible for setting the investment policies. The post-employment plan covers all regular full-time employees.

The normal retirement age is 60 with a minimum of five years of credited service. The Group's post-employment benefit plan provides retirement benefits ranging from 100% to 115% of the final monthly covered compensation (average monthly basic salary during the last 12 months of credited service) for every year of credited service.

### (b) *Explanation of Amounts Presented in the Consolidated Financial Statements*

Actuarial valuations are made annually to update the retirement benefit costs and the amount of contributions. All amounts presented on the succeeding pages are based on the actuarial valuation report obtained from an independent actuary in 2024.

The amounts of retirement benefit asset recognized in the consolidated statements of financial position are determined as follows:

<i>(Amounts in PHP)</i>	<u>2024</u>
Fair value of plan assets	265,661,419
Present value of obligation	<u>(134,456,547)</u>
	<u>131,204,872</u>

On the other hand, the retirement benefit obligation recognized by certain subsidiaries, which does not have an established post-employment benefit plan, amounted to P29.8 million as of December 31, 2024.

The movements in the fair value of plan assets of the Group are presented below.

<i>(Amounts in PHP)</i>	<u>2024</u>
Balance at beginning of year	256,663,816
Interest income	15,607,112
Benefits paid	(4,847,257)
Loss on plan assets (excluding amounts included in net interest)	<u>(1,762,252)</u>
Balance at end of year	<u>265,661,419</u>

The movements in the present value of the retirement benefit obligation recognized in the books are as follows:

<i>(Amounts in PHP)</i>	<u>2024</u>
Balance at beginning of year	152,910,948
Current service costs	15,909,588
Interest costs	9,245,426
Remeasurements –	
Actuarial gains (losses) arising from:	
Changes in financial assumptions	(8,704,280)
Experience adjustments	92,707
Changes in demographic assumptions	-
Benefits paid	(5,212,503)
Benefits paid from book reserve	-
Balance at end of year	<u>164,241,886</u>

The significant actuarial gains or losses in 2024 arising from the financial assumptions pertain to the effects of differences between the discount rates and salary projection rates used while the actuarial gains arising from experience adjustments pertain to the effects of differences between the previous actuarial assumptions and what has actually occurred, including the changes in those actuarial assumptions during the applicable reporting periods.

The plan assets consist of the following as of December 31 (see Note 25.9):

<i>(Amounts in PHP)</i>	<u>2024</u>
Debt securities:	
Philippines government bonds	242,559,092
Unit investment trust fund (UITF)	10,576,342
Corporate bonds	9,322,797
Mutual funds	75,311
Others	3,087,877
	<u>265,621,419</u>

The fair values of the debt securities are determined based on quoted market prices in active markets (classified as Level 1 of the fair value hierarchy). UITF is classified as Level 2 while other assets are classified as Level 3 in the fair value hierarchy.

The plan assets earned a net return of P13.8 million in 2024.

Plan assets do not comprise any of the Group's own financial instruments or any of its assets occupied and/or used in its operations.

The components of amounts of post-employment benefit expense recognized in the consolidated statements of income and consolidated statements of comprehensive income in respect of the post-employment defined benefit plan.

Current service cost and past service cost are presented as part of Salaries and employee benefit under General and Administrative Expenses in the consolidated statements of income. The net interest income is included in Other gains under Other Income (Charges) section in the consolidated statements of income. Amounts recognized in other comprehensive income, net of tax, were classified within items that will not be reclassified subsequently to profit or loss in the consolidated statements of comprehensive income.

For determination of the post-employment benefit obligation, the following actuarial assumptions were used:

	2024
Discount rates	6.08% - 6.16%
Salary increase rate	8.00%

Assumptions regarding future mortality are based on published statistics and mortality tables. The average remaining working lives of employees before retirement at the age of 60 ranges from 4.0 to 30.0 years for males and 8.0 to 27.0 years for females. These assumptions were developed by management with the assistance of an independent actuary. Discount factors are determined close to the end of each reporting period by reference to the interest rates of a zero-coupon government bond with terms to maturity approximating to the terms of the post-employment obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

(c) *Risks Associated with the Retirement Plan*

The plan exposes the Group to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk.

(i) *Investment and Interest Risks*

The present value of the defined benefit obligation is calculated using a discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of a reference government bond will increase the plan obligation. However, this will be partially offset by an increase in the return on the plan's investments in debt securities and if the return on plan asset falls below this rate, it will create a deficit in the plan. Currently, the plan is generally concentrated on investment in debt securities, although the Group also invests in UITF.

(ii) *Longevity and Salary Risks*

The present value of the defined benefit obligation is calculated by reference to the best estimate of the mortality of the plan participants both during and after their employment, and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

(iii) *Inflation Risk*

A significant proportion of the defined benefit obligation is linked to inflation. The increase in inflation will increase the Group's liability.



A portion of the plan assets are inflation-linked debt securities which will mitigate some of the effects of inflation.

(d) *Other Information*

The information on the sensitivity analysis for certain significant actuarial assumptions, the Group's asset-liability matching strategy, and the timing and uncertainty of future cash flows related to the retirement plan are described below and on the succeeding pages.

(i) *Sensitivity Analysis*

The following table summarizes the effects of changes in the significant actuarial assumptions used in the determination of the defined benefit asset as of December 31, 2024:

(Amounts in PHP)	Impact on Post-Employment Defined Benefit Obligation		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
<u>December 31, 2024</u>			
Discount rate	+/- 0.5%	(7,145,553)	8,102,696
Salary increase rate	+/- 1.0%	15,921,291	(13,104,160)

The sensitivity analysis above is based on a change in an assumption while holding all other assumptions constant. This analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation recognized in the consolidated statements of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous years.

(ii) *Asset-liability Matching Strategies*

To efficiently manage the retirement plan, the Group through its Management Committee, ensures that the investment positions are managed in accordance with its asset-liability matching strategy to achieve those long-term investments are in line with the obligations under the retirement scheme. This strategy aims to match the plan assets to the retirement obligations by investing in long-term fixed interest securities (i.e., government or corporate bonds) with maturities that match the benefit payments as they fall due and in the appropriate currency.

The Group actively monitors how the duration, and the expected yield of the investments are matching the expected cash outflows arising from the retirement obligations.

In view of this, investments are made in reasonably diversified portfolios, such that the failure of any single investment would not have a material impact on the overall level of assets. A large portion of the plan assets as of December 31, 2024 are generally concentrated in government debt securities, although the Group also invests in UITF for liquidity purposes.

(iii) *Funding Arrangements and Expected Contributions*

The plan is currently overfunded by P160.4 million in 2024, based on the latest actuarial valuation. On the other hand, the Group is yet to determine how much and when to fund its retirement benefit obligation as of December 31, 2024.

The Group does not expect to make any contribution to the plan during the next reporting period.

The maturity profile of undiscounted expected benefit payments from the plan follows:

<i>(Amounts in PHP)</i>	<u>2024</u>
Within one year	19,800,792
More than one year to 5 years	32,567,887
More than 5 years to 10 years	89,458,820
More than 10 years to 15 years	133,185,079
More than 15 years to 20 years	237,002,896
More than 20 years	<u>1,631,338,247</u>
	<u>2,143,353,721</u>

The weighted average duration of the defined benefit obligation at the end of the reporting period is 19 years.

## 22. TAXES

### ***22.1 Registration with Philippine Economic Zone Authority (PEZA)***

SMC is registered with the PEZA as an Ecozone Facilities Enterprise at the Laguna International Industrial Park – Special Economic Zone (LIIP – SEZ). As an Ecozone Facilities Enterprise, SMC shall lease its building in LIIP – SEZ to PEZA-registered export enterprises located therein. SMC is subject to 5% tax on gross income earned on such facilities in lieu of all national and local taxes.

On July 1, 1998, the PEZA approved Starworld's registration as an Ecozone developer and operator of the CPIP – Special Economic Zone located at Bo. Parian, Calamba City. Under the terms of the registration and subject to certain requirements, Starworld shall be exempt from all national and local taxes and instead will be subject to the 5% preferential tax rate on gross income after allowable deductions.

## 22.2 Current and Deferred Taxes

The components of tax expense reported in the consolidated statements of income and consolidated statements of comprehensive income are as follows:

<i>(Amounts in PHP)</i>	<u>2025</u>	<u>2024</u>
<i>Reported in statements of income</i>		
Current tax expense:		
Regular corporate income tax (RCIT)		
at 25% / 20%	16,422,437	20,694,730
Final tax at 20% / 15%	7,986,676	7,561,696
Minimum corporate income tax (MCIT)		
at 2%	959,730	488,398
	<u>25,368,843</u>	<u>28,744,824</u>
Deferred tax expense arising from		
origination and reversal of		
temporary differences	-	-
	<u>25,368,843</u>	<u>28,744,824</u>

The net deferred tax assets of certain subsidiaries relate to the following:

<i>(Amounts in PHP)</i>	<u>2025</u>	<u>2024</u>
Deferred tax assets:		
Allowance for inventory		
obsolescence	5,004,657	5,004,657
Allowance for impairment on		
trade and other receivables	3,575,304	3,575,304
Retirement benefit obligation	3,105,428	3,105,428
Deferred income	1,380,508	1,380,508
Provision for warranty claims	1,055,940	1,055,940
Accrued expenses	585,352	585,352
Deferred rental income	44,724	44,724
	<u>14,751,913</u>	<u>14,751,913</u>
Deferred tax liabilities:		
Unrealized foreign currency loss	(2,046,295)	(2,046,295)
PFRS 16 adoption	(150,658)	(150,658)
	<u>(2,196,953)</u>	<u>(2,196,953)</u>
	<u>12,554,960</u>	<u>12,554,960</u>

The net deferred tax liabilities of certain subsidiaries relates to the following:

<i>(Amounts in PHP)</i>	<u>2025</u>	<u>2024</u>
Deferred tax assets:		
Accumulated amortization on right-of-use assets	5,679,821	5,679,821
Allowance for impairment on trade and other receivables	5,198,900	5,198,900
Unearned rent income	3,629,920	3,629,920
Impairment losses on property and equipment	3,586,563	3,586,563
Allowance for inventory obsolescence	3,407,236	3,407,236
Impairment losses on input VAT	1,503,292	1,503,292
Inventory losses due to obsolescence	238,418	238,418
Excess MCIT over RCIT	235,020	235,020
Deferred rent income	156,977	156,977
Unamortized past service costs	89,633	89,633
Impairment losses on trade and other receivables	69,168	69,168
Unrealized foreign currency loss (gain)	(2,530)	(2,530)
	<u>23,792,418</u>	<u>23,792,418</u>
Deferred tax liabilities:		
Fair value gains on investment properties – net	(906,196,368)	(906,196,368)
Accumulated depreciation on investment properties	(173,664,566)	(173,664,566)
Post-employment benefit asset	(30,660,274)	(30,660,274)
Accrued rent income	(19,401,833)	(19,401,833)
Excess of fair value over cost of property	(12,211,529)	(12,211,529)
Amortization of lease liabilities	(5,679,821)	(5,679,821)
Unrealized foreign currency gains	(3,165,153)	(3,165,153)
PFRS 16	225,844	225,844
	<u>(1,150,753,700)</u>	<u>(1,150,753,700)</u>
Deferred tax liabilities – net	<u>(1,126,961,282)</u>	<u>(1,126,961,282)</u>

Presented below are the details of NOLCO, which can be claimed as deductions from future taxable profit within three to five years from the year the tax loss was incurred. Specifically, NOLCO incurred in 2021 and 2020 can be claimed as a deduction from the gross income until 2026 and 2025, respectively, in accordance with R.A. No. 11494, *Bayaniban to Recover as One Act*. In 2022, the NOLCO carry-over period is reverted to three years from the year the tax loss was incurred (amounts in PHP).

<u>Year</u>	<u>Amount</u>	<u>Applied Amount</u>	<u>Expired Amount</u>	<u>Remaining Balance</u>	<u>Valid</u>
2024	66,488,289	-	-	66,488,289	2027
2023	58,202,069	-	-	58,202,069	2026
2022	30,654,231	-	-	30,654,231	2025
2021	138,523,393	-	-	138,523,393	2026
2020	166,054,076	(19,958,639)	-	146,095,437	2025
	<u>459,922,058</u>	<u>(19,958,639)</u>	<u>-</u>	<u>439,963,419</u>	

The Group is subject to MCIT which is computed at 2% in 2024, 1.5% in 2023 and 1% in 2022 of gross income, as defined under the tax regulations or RCIT, whichever is higher. The details of the Group's MCIT are as follows (amounts in PHP):

<u>Year</u>	<u>Amount</u>	<u>Applied Amount</u>	<u>Expired Amount</u>	<u>Remaining Balance</u>	<u>Valid</u>
2024	964,952	-	-	964,952	2027
2023	1,500,636	(43,575)	-	1,457,061	2026
2022	612,193	(612,193)	-	-	2025
2021	686,785	-	(686,785)	-	2024
	<u><b>3,764,566</b></u>	<u><b>(655,768)</b></u>	<u><b>(686,785)</b></u>	<u><b>2,422,013</b></u>	

The Group did not recognize the deferred tax assets on NOLCO, MCIT and other deductible temporary differences of certain subsidiaries as management has assessed that those subsidiaries may not be able to realize their related tax benefits within the prescribed availment period. The NOLCO, MCIT and other deductible temporary differences as of December 31 for which the related deferred tax assets have not been recognized by certain entities in the Group are shown below.

<i>(Amounts in PHP)</i>	2024	
	<u>Amount</u>	<u>Tax Effect</u>
NOLCO	166,792,653	41,698,163
Allowance for inventory obsolescence	32,850,088	8,212,522
Unamortized past service cost	1,345,299	336,325
MCIT	887,843	887,843
Retirement benefit obligation	603,533	150,883
Allowance for impairment of intangible assets	272,127	68,032
Unrealized foreign currency gains – net	(13,147)	(3,387)
Allowance for impairment of trade receivables	-	-
	<u>202,738,396</u>	<u>51,350,381</u>

In 2025 and 2024, the Group opted to use itemized deduction in computing for its income tax due, except for certain subsidiaries which still opted to claim OSD in the current year.

## 23. EQUITY

### 23.1 Capital Stock

The Parent Company has a total authorized capital stock of P5.0 billion divided into 5,000,000,000 shares with P1 par value.

On June 18, 1996, the Commission issued an Order approving the Registration Statement covering the securities which comprised the Parent Company's entire authorized capital stock. On September 4, 1996, the Parent Company's shares were listed in the PSE and the trading of offer shares commenced.

The Parent Company offered to the public 665,000,000 shares at an offer price of P5.85 per share. The offer shares consist of 524,475,000 primary shares (new shares) and 140,525,000 secondary shares (existing shares).

As of December 31, 2024, the Parent Company has issued shares of 2,030,975,000 (with P1 par value), of which, 468,787,704 are held by the public both 2024. There are 4,192 and 4,209 holders of the listed shares which closed at P1.03 and P0.94 per share as of the last trading days in December 31, 2024.

### 23.2 Retained Earnings

The BOD approved the declaration of cash dividends in 2024 as follows:

Date of Declaration	Stockholders of Record as of	No. of Shares Outstanding	Amounts in PHP	
			Amount per Share	Total
June 27, 2024	July 15, 2024	1,821,542,000	0.10	182,154,200

The dividends were paid within the year of declaration and approval. Retained earnings is restricted to the amount of P115.6 million as of March 31, 2025 and December 31, 2024, equivalent to the cost of 209,433,000 shares held in treasury.

### 23.3 Revaluation Reserves

The components of this account and its movements are as follows:

(Amounts in PHP)	Notes	2025	2024
Balance at beginning of year		182,941,686	128,781,811
Currency exchange differences on translating financial statements of foreign operations		(7,245,210)	12,487,153
Balance at end of year		175,245,476	141,268,964

### 23.4 Subsidiary with Material Non-controlling Interest

Noncontrolling interests (NCI) pertain to the 25.0%, 27.0%, 50.0% and 50.0% equity ownership of minority stockholders in Skyworld, Interstar, Starworld and LIIP, respectively. In 2023, the Group sold its shares of stock in Interstar and LIIP (see Notes 1.1).

The selected financial information (before inter-company eliminations) of Starworld and LIIP, which are considered the material NCI are shown below.

	Starworld
	<u>2024</u>
Current assets	533,695,891
Non-current assets	<u>3,526,649</u>
Total assets	<u>537,222,540</u>
Current liabilities	267,161
Non-current liabilities	<u>2,144,627</u>
Total liabilities	<u>2,411,788</u>
Equity (capital deficiency) attributable to owners of the parent	<u>267,405,376</u>
NCI	<u>267,405,376</u>
Revenue	<u>109,104,516</u>
Profit (loss) for the year attributable to owners of the parent	39,398,821
Profit (loss) for the year attributable to NCI	<u>39,398,821</u>
Total comprehensive income (loss) for the year	<u>78,797,642</u>
Net cash used in operating activities	50,800,509
Net cash from investing activities	37,625,720
Net cash used in financing activities	<u>(60,801,510)</u>
	27,624,719
Effect of exchange rate on cash and cash equivalent	<u>688</u>
Net cash inflow (outflow)	<u>27,625,407</u>

The corporate information of Starworld and LIIP, as well as the Parent Company's stockholding thereto, is provided in Note 1.1.

In 2024, cash dividends amounting to P61.6 million was declared to NCI which were paid within the year of declaration and approval.

Management determined that the difference between the respective equity ownership of minority stockholders over the equity of the aforementioned subsidiaries and the amount of NCI recognized in the consolidated statements of financial position is not material to the consolidated financial statements.

## 24. EARNINGS PER SHARE

Basic earnings per share (EPS) is computed by dividing net profit attributable to the Parent Company's stockholders by the weighted average number of shares issued and outstanding, adjusted retroactively for any stock dividends declared, stock split and reverse stock split declared during the current period.

Diluted EPS is computed by adjusting the weighted average number of ordinary shares outstanding to assume conversion of potential dilutive shares. Currently, the Group does not have potentially dilutive shares outstanding; hence, the diluted earnings per share is equal to the basic earnings per share.

Basic and diluted earnings for profit attributable to the Parent Company's stockholders are computed as follows:

<i>(Amounts in PHP, except share data)</i>	<u>2025</u>	<u>2024</u>
Net profit for the year attributable to the Parent Company's stockholders	<u><b>P 101,343,611</b></u>	<u>35,696,491</u>
Divided by weighted average shares outstanding:		
Number of shares issued	<u><b>2,,030,975,000</b></u>	<u>2,030,975,000</u>
Treasury shares	<u><b>(209,433,000)</b></u>	<u>(209,433,000)</u>
	<u><b>1,821,542,000</b></u>	<u>1,821,542,000</u>
Earnings per share – basic and diluted	<u><u><b>0.06</b></u></u>	<u><u>0.02</u></u>

There were no outstanding convertible preferred shares and bonds or other stock equivalents as of March 31, 2025 and 2024 hence; diluted earnings per share is equal to the basic earnings per share.

## 25. RELATED PARTY TRANSACTIONS

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form. Based on the requirement of the SEC Memorandum Circular 2019-10, *Rules on Material Related Party Transactions for Publicly Listed Companies*, transactions amounting to 10% or more of the total assets based on the latest audited financial statements that were entered into with related parties are considered material. All individual material related party transactions shall be approved by at least two-thirds vote of the BOD, with at least a majority of the independent directors voting to approve the material related party transactions. In case that a majority of the independent director's vote is not secured; the material related party transaction may be ratified by the vote of the stockholders representing at least two-thirds of the outstanding capital stock. For aggregate related party transactions within a one-year period that breaches the 10% materiality threshold, the same board approval would be required for the transaction(s) that meets and exceeds the materiality threshold covering the same related party.



The Group's related parties include other companies owned by the Parent Company's majority stockholders and the Group's key management personnel as described below. The summary of the Group's significant transactions in 2024 with its related parties and the outstanding balances as of December 31, 2024 are as follows:

Related Party Category	Amount of Transaction		Outstanding
	Note	2024	Receivable (Payable) 2024
<b>Related Parties Under</b>			
<b>Common Ownership:</b>			
Purchase of mobile phones	25.1	-	-
Purchase of supplies and services	25.1	-	-
Purchase of spare parts	25.1	-	-
Lease of real property	25.2	6,788,877	-
Refundable deposits	25.2	(1,454,392)	(2,345,697)
Collection of business loans	25.3	-	-
Interest income	25.3	-	-
Reversal of impairment losses	25.4	(4,035,813)	-
Cash advances granted - net of allowance	25.4	4,277,321	6,697,750
Rendering of services	25.5	1,022,910	-
Sale of investment properties	25.6	(78,777,800)	-
<b>Key Management Personnel –</b>			
Compensation	25.7	66,654,103	-

None of the companies under the Group is a joint venture. The Parent Company is not subject to joint control. Related parties that exercise significant influence over the Parent Company are AA Commercial, Inc. and AV Value Holdings Corporation.

Unless otherwise stated, the Group's outstanding receivables from and payables to related parties arising from advances, sale and purchase of goods, management services and other services, are unsecured, noninterest-bearing and generally settled in cash within 12 months from the end of the reporting period.

Based on the management assessment, certain receivables were found to be impaired using the provision matrix; hence, adequate amount of allowance for impairment have been recognized as of December 31, 2024 (see Note 25.4).

### ***25.1 Purchase of Goods, Supplies and Services***

In 2022, the Group purchased mobile phones, tablets and accessories at prevailing market prices from Solid Trading Limited (STL), a related party under common ownership which is based in Hong Kong. There are no similar transactions in 2025.

### ***25.2 Lease of Real Property***

The Group leases its office space to TCL Sun Inc. (TCL), a related party under common ownership, with a lease term of five years with escalation rates. Likewise, prior to the acquisition, certain subsidiaries leased out land, buildings and office spaces to Avid. Revenues arising from these transactions are presented as part of Rentals under the Revenues of the consolidated statements of income.

Deposits received from the related parties for these lease agreements are refundable at the end of the lease term. The Group received additional deposits in connection with this lease agreement in 2024. The outstanding balance of refundable deposits are

presented under Trade and Other Payables in the consolidated statements of financial position (see Note 15).

### ***25.3 Granting of Loans***

Prior to the acquisition, the Group granted an unsecured business loan to Avid with the original principal loan amounting to P80.0 million which bears an annual interest rate of 8.0% and is payable on demand. There are no similar transactions in 2024.

### ***25.4 Advances to and from Related Parties***

In the normal course of business, certain subsidiaries of the Group grant and obtain unsecured, noninterest-bearing cash advances to and from related parties under common ownership for working capital requirements and other purposes. As of March 31, 2025 and December 31, 2024, outstanding balances of these advances are presented as Advances to and from Related Parties in the consolidated statements of financial position.

In 2024, the Group granted insignificant amount of additional advances to its related party, which remains uncollected as of March 31, 2025. It is presented under Advances to Related Parties in the consolidated statements of financial position.

In 2024, Starworld recovered previously impaired advances from LIIP. The recovery of these amounts occurred as a result of the agreement where LIIP will pay Starworld in installments for 10 years.

### ***25.5 Rendering of Services***

In 2024, a certain subsidiary bills TCL service charges for common usage and service area and consumption of utilities. Charges arising from these transactions are presented as Common usage and service area and utilities charges as part of Other operating income under Other Operating Expense section of the consolidated statements of comprehensive income (see Note 19).

As of March 31, 2025 and December 31, 2024, there are no outstanding receivables arising from these transactions.

### ***25.6 Sale of Investment Properties***

In 2024, certain subsidiaries sold certain investment properties to AV Value Holdings, a related party under common ownership with a total appraised value of P78.7 million (see Note 12). The net gain/loss on sale is presented as part of Other gains in the Other Income (Charges) section of the 2024 consolidated statement of income.

As of March 31, 2025 there are no outstanding receivables arising from these transactions.

### ***25.7 Key Management Personnel Compensation***

These amounts are shown as part of Salaries and employee benefits under General and Administrative Expenses in the consolidated statements of income (see Notes 18 and 21.1).

### ***25.8 Transactions with the Retirement Fund***

The Group has established a formal multi-employer retirement plan which is administered by an investment manager, except for certain subsidiaries whose retirement fund remained unfunded as of December 31, 2024.

The retirement fund consists of corporate bonds, government securities and UITF with fair values totaling P265.7 million as of December 31, 2024. The retirement fund neither provides any guarantee nor surety for any obligation of the Group.

The details of the contributions of the Group and benefits paid out by the plan to employees are presented in Note 21.2.

## **26. SIGNIFICANT CONTRACTS AND AGREEMENTS**

### ***26.1 Memorandum of Understanding with SPI***

On July 1, 2003, the Group entered into a Memorandum of Understanding (MOU) with SPI for network support for SPI. Under the MOU, SPI authorized the Group to perform in-warranty and out-of-warranty services to customers in the Philippines for a fee calculated as a percentage of SPI's annual sales.

In-warranty services shall be rendered free of charge to customers. The actual cost of replacement parts related to in-warranty services shall be shouldered by SPI. Network support fees are billed at a fixed rate per month. The agreement is effective unless revoked by any of the parties.

Network support fees and in-warranty service fees relating to SPI products amounted to P79.9 million in 2024 and are presented as part of Rendering of Services in the consolidated statements of income.

The outstanding balances arising from these transactions amounting to P8.8 million as of December 31, 2024 are included as part of Trade receivables under the Trade and Other Receivables in the consolidated statements of financial position (see Note 6.1).

### ***26.2 Distributorship Agreement with Sony Corporation of Hong Kong Limited (Sony HK)***

The Group has a non-exclusive Distributorship Agreement (the Agreement) with Sony HK, a corporation organized and existing under and by virtue of the laws of Hong Kong. Under the Agreement, the Group was designated by Sony HK as its non-exclusive distributor of Sony products in the Philippines. In addition, the Group shall provide the customers in the Philippines with repair and parts replacement services, including but not limited to repair and parts replacement services rendered by the Group which are covered under the 12 month-warranty period at its own costs and expenses.

### ***26.3 Management Agreement with Sky Cable Corporation***

For continuity of services to subscribers, the Group and SkyCable Corporation (SkyCable) undertook to cooperate with each other and to execute further actions as may be necessary to carry out the purposes of the agreement on sale of assets pending the approval of the National Telecommunications Commission (NTC). The

Management Agreement shall be automatically terminated on the date of the NTC's approval of the transfer of the assets in favor of SkyCable. As of March 31, 2025, the NTC approval has not yet been obtained.

The Group was given the overall power and responsibility to handle all aspects necessary to carry out the administration and operations of SkyCable and to accord the necessary additional authorizations, should the need arise.

Revenues arising from these transactions is presented as part of Rendering of services under Revenues in the consolidated statements of income. The outstanding receivable amounted to P8.2 million as of December 31, 2024 is included as part of Trade receivables under Trade and Other Receivables in the consolidated statements of financial position (see Note 6.1).

#### ***26.4 Agreement with LF (Philippines) Inc.***

In 2022, Precos, Inc. entered into a Built to Specification Agreement (the Agreement) with a third-party lessee. Under this agreement, the lessee will lease the warehouse for a period of 15 years, with an option to renew for another 5 years. The warehouse is to be constructed according to the specifications outlined in the Agreement. The lease agreement officially took effect on August 1, 2024, even though the warehouse was not yet fully completed at that time, as the lessee had already taken possession and commenced occupancy. The initial certificate of completion was issued on October 15, 2024, and as of December 31, 2024, the construction of the warehouse was fully completed.

## **27. COMMITMENTS AND CONTINGENCIES**

The following are the significant commitments and contingencies involving the Group:

### ***27.1 Operating Lease Commitments – Group as Lessor***

Certain subsidiaries are lessors under various non-cancellable operating lease agreements covering certain real estate properties. These leases have terms ranging from one to 15 years, with renewal options, and include annual escalation rates ranging from 5% to 10%. These subsidiaries receive fixed monthly payments.

The Group is subject to risks associated with the rights it retains in the properties it leases, such as alterations made by the lessee that may impair the value of the leased properties. To manage the exposure on such risks, the Group exercises strict control over the fit-out process and no alterations are allowed to be made without prior approval of the Group. The Group also requires security deposits and advance rentals equivalent to at least three months of rent. Moreover, the Group retains its right to inspect the leased properties during the lease term. In case of expiration of lease term or early termination due to the default of the lessee, the Group is entitled to the improvements installed on the leased properties without an obligation to reimburse the lessee for the costs of improvements.

The future minimum lease receivables under these non-cancellable operating leases as of December 31 are presented below.

<i>(Amounts in PHP)</i>	<u>2024</u>
Within one year	305,588,482
After one year but not more than two years	339,747,394
After two years but not more than three years	352,839,786
After three years but not more than four years	293,806,458
After four years but not more than five years	277,403,141
More than five years	<u>2,882,991,015</u>
	<u>4,452,376,276</u>

The total rent income recognized from these transactions, including rent income resulting from the application of the straight-line basis of revenue recognition for the reporting periods, are presented as Rentals under Revenues section of the consolidated statements of income. There was no contingent rent (i.e., variable rent considerations) related to these operating leases.

### ***27.2 Purchase Commitments***

In 2007, the Group has entered into several construction contracts with various subcontractors for the construction of Tri-Towers condominium building. The construction of Tower 1 and Tower 2 were completed in 2008 and 2012, respectively, while the construction of Tower 3 has not yet started, yet it has incurred expenses for the planning phase as of March 31, 2025 and 2023 (see Note 9.2).

### ***27.3 Deficiency Tax Assessments***

Certain subsidiaries have outstanding deficiency tax assessments with the BIR and outstanding tax cases filed with the Court of Tax Appeals (CTA) covering the taxable years 2011, 2012, 2013, 2014, 2015, 2016, 2017 and 2022 to which the BIR and CTA have sought to investigate, and consequently, examine certain books, records and accounts that relate to transactions in the ordinary course of business. Pursuant to the Group's policy of addressing such actions in line with prudent business practice, the Group has engaged tax counsel and advisors in relation to these matters.

As of March 31, 2025, the majority of these deficiency tax assessments and tax cases are still under protest or reconsideration. Management believes that the Group has enough legal basis under the law to support their claims, and that the outcome of such tax assessments will not have a material impact in the Group's consolidated financial statements; hence, no provision was recognized as of March 31, 2025.

### ***27.4 Others***

The Group has unused credit facilities amounting to P1.3 billion in 2025 and 2024.

There are other commitments, guarantees, litigations and contingent liabilities that arise in the normal course of the Group's operations which are not reflected in the consolidated financial statements. As of March 31, 2025 and December 31, 2024, management is of the opinion that losses, if any, that may arise from these

commitments and contingencies will not have a material effect on the Group's consolidated financial statements.

## 28. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks in relation to financial instruments. The Group's financial assets and liabilities by category are summarized in Note 29. The main types of risks are market risk, credit risk, liquidity risk and operational risk.

The Group's risk management is coordinated with the Parent Company's BOD and focuses on actively securing the Group's short to medium-term cash flows by minimizing the exposure to financial markets. Long-term financial investments are managed to generate continuous returns.

The Group does not engage in the trading of financial assets for speculative purposes, nor does it write options. The most significant financial risks to which the Group is exposed are described below and on the succeeding pages.

### 28.1 Market Risk

The Group is exposed to market risk through its use of financial instruments and specifically to foreign currency risk, interest rate risk and certain other price risk which result from its operating, investing and financing activities.

#### (a) Foreign Currency Risk

Most of the Group's transactions are carried out in Philippine pesos, its functional currency. Exposures to currency exchange rates arise from the Group's foreign currency denominated trade and other receivables and trade and other payables, which are primarily denominated in USD and Hong Kong Dollar (HKD). The Group also holds USD-denominated and HKD-denominated cash and cash equivalents.

To mitigate the Group's exposure to foreign currency risk, non-Philippine peso cash flows are monitored.

Foreign currency-denominated financial assets and financial liabilities, translated into Philippine pesos at the closing rate are as follows:

(Amounts in PHP)	2025		2024	
	USD	HKD	USD	HKD
Financial assets	210,873,073	14,287,280	201,109,179	14,464,689
Financial liabilities	-	-	-	-
Short-term exposure	<u>210,873,073</u>	<u>14,287,280</u>	<u>201,109,179</u>	<u>14,464,689</u>

The following table illustrates the sensitivity of the Group's profit before tax in 2025 and 2024 with respect to changes in the exchange rates of Philippine peso against foreign currencies. The percentage changes in rates have been determined based on the average market volatility in exchange rates, using standard deviation, in the previous 12 months prior to the end of the reporting period at a 99% confidence level.

	2025		2024	
	Reasonably Possible Change in Rate	Effect in Profit Before Tax	Reasonably Possible Change in Rate	Effect in Profit Before Tax
(Amounts in PHP)				
PHP – USD	6.10%	12,869,987	14.19%	28,537,393
PHP – HKD	6.11%	873,195	14.14%	2,045,307
		<u>13,743,182</u>		<u>30,852,700</u>

If the Philippine peso had strengthened against the USD and HKD, with all other variables held constant, the Group's profit before tax would have been lower by P13.7 million and P30.6 million in 2025 and 2024, respectively. Conversely, if the Philippine peso had weakened against the USD and HKD by the same percentage, with all variables held constant, profit before tax and equity would have been higher in 2025 and 2024 by the same amount.

Exposures to foreign exchange rates vary during the period depending on the volume of foreign currency denominated transactions. Nonetheless, the analysis above is considered to be a reasonable estimation of the Group's currency risk.

(b) *Interest Rate Risk*

As of March 31, 2025 and December 31, 2024, the Group is exposed to changes in market interest rates through its cash and cash equivalents, short-term placements, loans receivables and interest-bearing loans which are subject to variable interest rates. All other financial assets and financial liabilities have fixed rates or are noninterest-bearing.

The sensitivity of profit or loss before tax are based on a reasonably possible change in interest rates of +/-1.76% in 2025 and +/-2.35% in 2024 for Philippine peso. On the other hand, the Group's exposure to foreign currency interest rates is insignificant. These changes in rates have been determined based on the average market volatility in interest rates, using standard deviation, in the previous 12 months, estimated at 99% level of confidence. The sensitivity analysis is based on the Group's financial instruments held at each reporting date, with the effect estimated from the beginning of the year. All other variables are held constant.

The changes in percentages would affect profit or loss before tax by +/-P72.5 million and +/-P76.9 million in 2025 and 2024, respectively.

(c) *Other Price Risk*

The Group's market price risk arises from its investments carried at fair value (i.e., financial assets measured at FVOCI). The Group manages exposure to price risk by monitoring the changes in the market price of the investments and at some extent, diversifying the investment portfolio in accordance with the limit set by management.

## 28.2 Credit Risk

Credit risk is the risk that the counterparties may fail to discharge an obligation to the Group. The Group is exposed to this risk for various financial instruments arising from granting loans and selling goods and services to customers including related parties, placing deposits with banks.

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. Where available at a reasonable cost, external credit ratings and/or reports and other counterparties are obtained and used. The Group's policy is to deal only with creditworthy counterparties. In addition, for a significant proportion of real estate sales, advance payments are received to mitigate credit risk.

The maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown in the consolidated statements of financial position and in the detailed analysis provided in the notes to the consolidated financial statements, as summarized below.

<i>(Amounts in PHP)</i>	Notes	2025	2024
Cash and cash equivalents	5.1	<b>2,619,559,803</b>	3,077,901,933
Short-term placements	5.2	<b>618,271,272</b>	200,271,182
Trade and other receivables – net*	6	<b>946,542,070</b>	872,327,570
Investment in bonds	7.2	<b>20,000,000</b>	20,000,000
Refundable deposits**	13	<b>39,425,379</b>	41,917,776
Advances to related parties	25.4	<b>6,697,750</b>	6,697,750
Cash bond**	13	<b>15,635,346</b>	15,635,346
		<b><u>4,266,131,620</u></b>	<b><u>4,234,751,557</u></b>

\* Except for Advances to suppliers and employees

\*\* Presented as part of Other Assets

The Group's management considers that all the above financial assets that are not impaired or past due at the end of each reporting period are of good credit quality.

None of the Group's financial assets are secured by collateral or other credit enhancements, except for cash and cash equivalents and short-term placements as described on the succeeding pages.

### (a) Cash and Cash Equivalents and Short-term Placements

The credit risk for cash and cash equivalents and short-term placements in the consolidated statements of financial position is considered negligible since the counterparties are reputable banks with high quality external credit ratings.

Included in the cash and cash equivalents are cash in banks and cash equivalent with maturities of less than three months, and short-term placements which are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P0.5 million for every depositor per banking institution. Effective



March 15, 2025, the maximum coverage increased to P1.0 million for every depositor per banking institution.

(b) *Trade and Other Receivables*

The Group applies the simplified approach in measuring ECL which uses a lifetime expected loss allowance for all trade receivables and other receivables.

With respect to other receivables from third parties, management assessed that these financial assets have a low probability of default since the Group can apply the related payables to these counterparties in case it defaults.

For loans receivable, the Group is not exposed to significant credit risk to any single counterparty or any group of counterparties having similar characteristics. Based on historical information about borrower default rates, management considers the credit quality of loans receivables that are not past due or impaired in assessing the credit risk. Further, the Group holds collateral against loans and other receivables in the form of personal guaranty, chattel mortgage and other forms of security. Estimates of fair value are based on the value of collateral assessed at the time of borrowing and are generally updated annually.

To measure the ECL, trade and other receivables have been grouped based on shared credit risk characteristics and the days past due (age buckets). The Group also concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the other receivables as it shares the same credit risk characteristics.

The calculation of ECL incorporates forward-looking information. The Group has performed historical analysis and identified the key economic value factors, which includes gross domestic product, inflation and consumer price index, affecting credit risk and ECL for the loan portfolio.

On that basis, the loss allowance as of December 31, 2024 was determined based on months past due, for trade and other receivables (except advances to suppliers and employees, interest receivables and cash surrender value of investment in life insurance) are below.

<i>(Amounts in PHP)</i>	Not more than 60 days	More than 60 days but not more than 90 days	More than 90 days but not more than 120 days	More than 120 days	Total
<b>December 31, 2024</b>					
Expected loss rate	0.48%	14.29%	13.25%	84.24%	
Gross carrying amount	351,059,382	11,140,373	37,691,080	117,007,645	516,898,480
Loss allowance	1,686,118	1,591,737	4,996,677	98,566,109	106,840,641

(c) *Advances to Related Parties*

For intercompany receivables that are repayable on demand, the ECL is based on the assumption that repayment of the receivables is demanded at the reporting date. The management determines the probability of collection upon demand. If a related party is unable to make repayment, the management considers the manner of recovery (i.e., sustained operations, availability of liquid and illiquid asset, etc.) to measure the ECL.

(d) *Refundable and Other Deposits*

With respect to refundable and other deposits, management assessed that these financial assets have a low probability of default since these relate to reputable power and water distribution companies (i.e., with high quality external credit rating). Moreover, the Group has operating lease contracts as lessee with the counterparty lessors, wherein the Group can refund by the end of the term or can apply to future lease payments in case of defaults.

(e) *Investment in Bonds*

Investment in bonds measured at amortized cost are considered to have low credit risk, and therefore, the loss allowance during the period is determined to be equivalent to 12 months ECL. Management considers “low credit risk” for listed bonds to be an investment grade credit rating with at least one major rating agency. Other instruments are considered to be low credit risk when they have a low risk of default, and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

No impairment loss on investment in bonds has been recognized in 2025 and 2024 since the bonds are in good credit standing as of March 31, 2025 and December 31, 2024.

(f) *Cash Bond*

With respect to cash bond, management assessed that this financial asset has low probability of default since this relates to refundable deposits made by the Group for its application for conversion of land.

### **28.3 Liquidity Risk**

Liquidity risk is the risk that cash may not be available to meet operating requirements and to pay obligations when due at a reasonable cost. Prudent liquidity risk management requires maintaining sufficient cash and credit facilities at reasonable cost to satisfy current requirements whenever the need arises. The Group aims to maintain flexibility in funding by keeping committed credit lines available.

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash outflows due in a day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a 6-month and one-year period are identified monthly. The Group maintains cash to meet its liquidity requirements for up to 60-day periods. Excess cash is invested in short-term placements. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.

As of March 31, 2025 and December 31, 2024, the Group's financial liabilities [except for lease liabilities (see Note 10.2)] have contractual maturities, which are presented below.

<i>(Amounts in PHP)</i>	<b>Current</b>		<b>Non-current</b>
	<b>Within 6 months</b>	<b>6 to 12 Months</b>	<b>1 to 5 Years and More</b>
<b>2025</b>			
Trade and other payables	429,008,759		
Refundable deposits			21,645,519
Interest-bearing loans	29,496,222	38,806,155	1,180,772,780
	<u>458,504,981</u>	<u>38,806,155</u>	<u>1,202,418,299</u>
<b>2024</b>			
Trade and other payables	534,490,746	-	-
Refundable deposits	-	-	21,645,519
Interest-bearing loans	29,175,611	29,335,917	1,204,997,356
	<u>563,666,357</u>	<u>29,335,917</u>	<u>1,226,642,875</u>

The contractual maturities reflect the gross cash flows, which may differ with the carrying values of the financial liabilities at the end of the reporting period.

#### **28.4 Operational Risk**

The Group's exposure to significant operational risk relates to SMFI's secondary license to operate as a financing company under R.A. No. 8556 (see Note 1.2). Also, SMFI is under the regulation of the Commission. Management is aware that the Group will always have operational risk but seeks to minimize the probability and impact of such in its operations and consolidated financial statements.

The Group manages this risk through applicable controls, process and procedures, including effective organization structure. Internal controls ensure compliance with laws and regulations, including R.A. No. 8556 and SEC regulations, and the overall protection of SMFI's resources.

SMFI, as a financing company, is subject to, but not limited to, the following regulatory requirements under the implementing rules and regulations of the provisions of R.A. No. 8556:

- (a) Total investment in real estate and in shares of stock in a real estate development corporation shall not exceed 25% of its net worth;
- (b) More than 50% of the funds are invested in financing company activities;
- (c) Total credit extended to its directors, officers, and stockholders shall not exceed 15% of its net worth; and,
- (d) Total credit extended to any person, company, corporation or firm shall not exceed 30% of its net worth.

As of March 31, 2025 and December 31, 2024, the Group is compliant with the foregoing requirements.

## 29. CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

### 29.1 Carrying Amounts and Fair Values by Category

The carrying amounts and fair values of the categories of financial assets and financial liabilities presented in the consolidated statements of financial position are shown below.

(Amounts in PHP)	Notes	2025		2024	
		Carrying Amounts	Fair Values	Carrying Amounts	Fair Values
Financial assets					
At amortized cost:					
Cash and cash equivalents	5.1	2,619,559,803	2,619,559,803	3,077,901,933	3,077,901,933
Short-term placements	5.2	618,271,272	618,271,272	200,271,182	200,271,182
Trade and other receivables – net	6	946,542,070	946,542,070	872,327,570	872,327,570
Investment in bonds	7.2	20,000,000	20,000,000	20,000,000	18,521,880
Refundable deposits	13	39,425,379	39,425,379	41,917,776	41,917,776
Advances to related parties	25.4	6,697,750	6,697,750	6,697,750	6,697,750
Cash bond	13	15,635,346	15,635,346	15,635,346	15,635,346
		<u>4,266,131,620</u>	<u>4,266,131,620</u>	<u>4,234,751,557</u>	<u>4,233,273,437</u>
Financial assets at FVOCI	7.1	<u>74,200,000</u>	<u>74,200,000</u>	<u>74,200,000</u>	<u>74,200,000</u>
		<u><u>4,340,331,620</u></u>	<u><u>4,340,331,620</u></u>	<u><u>4,308,951,557</u></u>	<u><u>4,307,473,437</u></u>
Financial Liabilities					
At amortized cost					
Interest-bearing loans	14	875,000,000	875,000,000	875,000,000	819,499,388
Trade and other payables	15	429,008,759	429,008,759	534,490,746	534,490,746
Refundable deposits	16	21,645,519	21,645,519	21,645,519	21,645,519
Lease liabilities	10.2	3,088,602	3,088,602	3,907,873	3,907,873
		<u>1,328,742,880</u>	<u>1,328,742,880</u>	<u>1,435,044,138</u>	<u>1,379,543,526</u>

A description of the Group's risk management objectives and policies for financial instruments is provided in Note 28.

### 29.2 Offsetting of Financial Instruments

The Group has not set off financial instruments as of March 31, 2025 and December 31, 2024 and it does not have relevant offsetting arrangements. Currently, financial assets and financial liabilities are settled on a gross basis; however, each party to the financial instrument (particularly related parties) may have the option to settle all such amounts on a net basis in the event of default of the other party through approval by the respective BODs and stockholders of both parties.

The financial assets presented as part of Advances to Related Parties can be offset by the amount of outstanding Advances from Related Parties, if any, in the consolidated statements of financial position (see Note 25.4).

For financial assets and financial liabilities subject to enforceable master netting agreements or similar arrangements above, certain agreements between the Group and counterparties allows for net settlement of the relevant financial assets and financial liabilities when both parties elect to settle on a net basis. In the absence of such an election, financial assets and financial liabilities will be settled on a gross basis, however,

each party to the master netting agreement or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party.

## 30. FAIR VALUE MEASUREMENTS AND DISCLOSURES

### *30.1 Fair Value Hierarchy*

In accordance with PFRS 13, *Fair Value Measurement*, the fair value of financial assets and financial liabilities, and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS Accounting Standards, are categorized into three levels based on the significance of inputs used to measure the fair value. The fair value hierarchy has the following levels as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the financial asset or financial liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,
- Level 3: inputs for the financial asset or financial liability that are not based on observable market data (unobservable inputs).

The level within which the financial asset or financial liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

For investments which do not have quoted market price, the fair value is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market of another instrument which is substantially the same after taking into account the related credit risk of counterparties or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

When the Group uses valuation technique, it maximizes the use of observable market data where it is available and relies as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3.

### *30.2 Financial Instruments Measured at Fair Value*

The Group's financial assets at FVOCI include proprietary golf club shares which are categorized within Level 2 as their prices are not derived from market considered due to lack of trading activities among market participants at the end or close to the end of the reporting period. As of March 31, 2025 and December 31, 2024, the Group's financial assets at FVOCI measured at fair value amounted to both P74.2 million. (see Note 7.1).

The Group has no financial liabilities measured at fair value as of March 31, 2025 and December 31, 2024. Also, there were neither transfers between Levels 1 and 3 nor changes in the carrying amount of Level 2 instruments in both years.

### 30.3 Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed

The tables on the succeeding page summarize the fair value hierarchy of the Group's financial assets and financial liabilities which are not measured at fair value in the consolidated statements of financial position but for which fair value is disclosed.

<i>(Amounts in PHP)</i>	Notes	Level 1	Level 3	Total
<b>2025</b>				
<b>Financial Assets</b>				
<i>At amortized cost:</i>				
Cash and cash equivalents	5.1	2,619,559,803	-	2,619,559,803
Short-term placements	5.2	618,271,272	-	618,271,272
Trade and other receivables – net	6	-	946,542,070	946,542,070
Investment in bonds	7.2	20,000,000	-	20,000,000
Refundable deposits	13	-	39,425,379	39,425,379
Advances to related parties	25.4	-	6,697,750	6,697,750
Cash bond	13	-	15,635,346	15,635,346
		<b>3,257,831,075</b>	<b>1,008,300,545</b>	<b>4,266,131,620</b>
<b>Financial Liabilities</b>				
<i>At amortized cost:</i>				
Interest-bearing loans	14	-	875,000,000	875,000,000
Trade and other payables	15	-	429,008,759	429,008,759
Refundable deposits	16	-	21,645,519	21,645,519
Lease liabilities	10.2	-	3,088,602	3,088,602
			<b>1,328,742,880</b>	<b>1,328,742,880</b>
<b>2024</b>				
<b>Financial Assets</b>				
<i>At amortized cost:</i>				
Cash and cash equivalents	5.1	3,077,901,933	-	3,077,901,933
Short-term placements	5.2	200,271,182	-	200,271,182
Trade and other receivables – net	6	-	872,327,570	872,327,570
Investment in bonds	7.2	18,521,880	-	18,521,880
Refundable deposits	13	-	41,917,776	41,917,776
Advances to related parties	25.4	-	6,697,750	6,697,750
Cash bond	13	-	15,635,346	15,635,346
		<b>3,296,694,995</b>	<b>936,578,442</b>	<b>4,233,273,437</b>
<b>Financial Liabilities</b>				
<i>At amortized cost:</i>				
Interest-bearing loans	14	-	819,499,388	819,499,388
Trade and other payables	15	-	534,490,746	534,490,746
Refundable deposits	16	-	21,645,519	21,645,519
Lease liabilities	10.2	-	3,907,873	3,907,873
			<b>1,379,543,526</b>	<b>1,379,543,526</b>

For financial assets with fair values included in Level 1, management considers that the carrying amounts of these financial instruments approximate their fair values due to their short duration.

The fair values of the financial assets and financial liabilities included in Level 3, which are not traded in an active market, are determined based on the expected cash flows of the underlying net asset or liability based on the instrument where the significant inputs required to determine the fair value of such instruments are not based on observable market data. Further, management considers that the carrying amounts of these

financial instruments approximate their fair values as the effect of discounting is insignificant.

#### ***30.4 Fair Value Measurements of Non-financial Assets***

The fair value of the Group's investment properties is determined on the basis of the appraisals performed by an independent appraiser with appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. To some extent, the valuation process was conducted by the appraisers in discussion with the Group's management with respect to the determination of the inputs such as the size, age, and condition of the land and buildings, and the comparable prices in the corresponding property location. In estimating the fair value of these properties, management takes into account the market participant's ability to generate economic benefits by using the assets in their highest and best use. Based on management assessment, the best use of the Group's non-financial assets indicated above is their current use.

The fair value of these non-financial assets was determined based on the following approaches (see Note 12):

*(a) Fair Value Measurement for Land and Improvements*

The Level 2 fair value of land and improvements amounted to P5,602.0 million as of December 31, 2024 and was derived through appraisals by independent valuation specialists using market-based valuation approach where prices of comparable properties are adequate for specific market factors such as location and condition of the property.

*(b) Fair Value Measurement for Building and Building Improvements*

The Level 3 fair value of the buildings and improvements amounted to P2,253.5 million in December 31, 2024, and was derived through appraisals by independent valuation specialists using cost approach that reflects the current replacement cost in accordance with the prevailing market prices for materials, equipment, labor, contractor's overhead, profit, fees and all other construction costs of the properties. As the value of the properties is not readily observable as to the current market information, the independent appraiser adjusted the valuation based on the useful life and depreciation over time, accounting for wear and tear.

*(c) Fair Value Measurement for Construction in Progress*

The Level 3 fair value of the construction in progress amounted to P86.2 million as of December 31, 2024. These fair values were determined using the cost approach that reflects the cost to a market participant to construct an asset of comparable usage, construction standards, design and layout, adjusted for obsolescence. The more significant inputs used in the valuation include direct and indirect costs of construction such as but not limited to, labor and contractor's profit, materials and equipment, surveying and permit costs, electricity and utility costs, architectural and engineering fees, insurance and legal fees.

These inputs were derived from various suppliers and contractor's quotes, price catalogues, and construction price indices. Under this approach, higher estimated costs used in the valuation will result in higher fair value of the properties.

The discount rates and terminal capitalization rates were determined with reference to published risk free rates and risk premium rates at the date of valuation.

There has been no change to the valuation techniques used by the Group during the year for its non-financial assets. Also, there were no transfers into or out of Level 3 fair value hierarchy in 2025 and 2024.

### 31. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Group sets the amount of capital in proportion to its overall financing structure, i.e., equity and total liabilities, excluding amounts advances from related parties. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the carrying amount of equity as presented on the face of the consolidated statements of financial position. The Group's goal in capital management is to maintain a debt-to-equity structure ratio of not higher than 1:1 on a monthly basis.

The computation of the Group's debt-to-equity ratio is presented below.

<i>(Amounts in PHP)</i>	<u>2025</u>	<u>2024</u>
Total liabilities	<b>2,688,260,537</b>	2,734,246,816
Total equity	<b><u>12,864,212,497</u></b>	<b><u>12,766,679,185</u></b>
	<b><u>0.21 : 1.00</u></b>	<b><u>0.21 : 1.00</u></b>

As of March 31, 2025 and December 31, 2024, the Group is not subject to any externally imposed capital requirements, except for SMFI. Under Section 6 of R.A. No. 8556, SMFI is subject to an externally imposed capital requirement of a minimum of P10.0 million paid-up capital. SMFI is in compliance with the minimum paid-up capital requirement as of March 31, 2025 and December 31, 2024.



Solid Group Inc. and Subsidiaries  
Schedule of Financial Soundness Indicators

RATIO		FORMULA		Unaudited for the period ended March 31, 2025		Audited as of December 31, 2024	
Current ratio		$\frac{\text{Current Assets}}{\text{Current Liabilities}}$		$\frac{5,091,126,802}{644,209,637}$	<b>7.90</b>	$\frac{5,066,355,417}{680,352,166}$	<b>7.45</b>
Acid Test ratio		$\frac{\text{Quick Assets (Cash \& Cash Equivalents+ Short term Placements+ Trade Receivables)}}{\text{Current Liabilities}}$		$\frac{3,744,042,945}{644,209,637}$	<b>5.81</b>	$\frac{3,713,925,236}{680,352,166}$	<b>5.46</b>
Solvency ratio		$\frac{\text{Total Liabilities}}{\text{Total Assets}}$		$\frac{2,688,260,537}{15,552,473,034}$	<b>0.17</b>	$\frac{2,734,246,816}{15,500,926,001}$	<b>0.18</b>
Debt to Equity ratio		$\frac{\text{Total Liabilities (excludingadvances from related parties)}}{\text{Total Equity}}$		$\frac{2,688,260,537}{12,864,212,497}$	<b>0.21</b>	$\frac{2,734,246,816}{12,766,679,185}$	<b>0.21</b>
Gearing ratio		$\frac{\text{Financial Debt}}{\text{Total Equity}}$		$\frac{875,000,000}{12,864,212,497}$	<b>0.07</b>	$\frac{875,000,000}{12,766,679,185}$	<b>0.07</b>
Asset to Equity ratio		$\frac{\text{Total Assets}}{\text{Total Equity}}$		$\frac{15,552,473,034}{12,864,212,497}$	<b>1.21</b>	$\frac{15,500,926,001}{12,766,679,185}$	<b>1.21</b>
RATIO		FORMULA		Unaudited for the period ended March 31, 2025		Unaudited for the period ended March 31, 2024	
Interest Coverage ratio		$\frac{\text{EBIT (Earnings before interest and tax)}}{\text{Interest Expense}}$		$\frac{144,311,469}{14,164,104}$	<b>10.19</b>	$\frac{71,277,930}{2,293,863}$	<b>31.07</b>
Operating Margin		$\frac{\text{Operating Profit (Loss)}}{\text{Total Revenues}}$		$\frac{110,991,655}{662,638,960}$	<b>16.75%</b>	$\frac{31,591,442}{561,626,765}$	<b>5.62%</b>
Net Profit Margin		$\frac{\text{Net Profit (Loss) after Tax}}{\text{Total Revenues}}$		$\frac{104,778,522}{662,638,960}$	<b>15.81%</b>	$\frac{40,239,243}{561,626,765}$	<b>7.16%</b>
Return on Total Assets		$\frac{\text{Net Profit (Loss) after Tax (annualized)}}{\text{Average Total Assets}}$		$\frac{419,114,088}{15,526,699,518}$	<b>2.70%</b>	$\frac{160,956,972}{14,299,523,557}$	<b>1.13%</b>
Return on Equity		$\frac{\text{Net Profit (Loss) after Tax (annualized)}}{\text{Total Equity}}$		$\frac{419,114,088}{12,864,212,497}$	<b>3.26%</b>	$\frac{160,956,972}{12,406,160,701}$	<b>1.30%</b>