May 15, 2018

PHILIPPINE STOCK EXCHANGE
9th Floor, Philippine Stock Exchange Tower
28th Street corner 5th Avenue, BGC Taguig City

Attention: **Mr. Jose Valeriano B. Zuño III**
OIC – Head, Disclosure Department

Subject: Starmalls Inc.: **SEC 17Q – March 31, 2018**

Gentlemen:

Please see attached SEC Form 17Q for the quarter ended March 31, 2018 filed with the Securities and Exchange Commission today.

Truly Yours,

Brian N. Edang
Officer-In-Charge

COVER SHEET

C	S	0	0	0	0	3	9	5	8	7

S.E.C. Registration Number

STARMALLS, INC. (FORMERLY: POLAR PROPERTY HOLDINGS CORPORATION)

(Company's Full Name)

LOWER GROUND FLOOR, BUILDING B, EVIA LIFESTYLE CENTER, VISTA CITY, DAANGHARI, ALMANZA II LAS PIÑAS CITY

(Business Address : No. Street/City/Province)

Brian N. Edang
Contact Person

571-5948 / 871-4001
Company Telephone Number

1	2		3	1

Month *Day*
Calendar Year

17-Q
FORM TYPE

Month *Day*
Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

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 quarter ended **March 31, 2018**

2. SEC Identification Number 39587

3. BIR Tax Identification No. 000-806-396

4. STARMALLS, INC.
   Exact name of the registrant as specified in its charter

5. Metro Manila, Philippines
   Province, country or other jurisdiction of incorporation

6. Industry Classification Code (SEC Use Only)

7. Lower Ground Floor, Building B, EVIA Lifestyle Center, Vista City, Daanghari, Almanza II, Las Piñas City — 1750
   Address of Principal Office — Postal Code

8. (02) 571-5948 / (02) 871-4001
   Registrant's telephone number, including area code

9. 3rd Level Starmall Las Piñas, CV Starr Avenue, Philamlife Avenue, Pamplona, Las Piñas City
   Former name, former address and former fiscal year, if change since last report.

10. Securities registered pursuant to Sections 4 and 8 of the RSA

Title of each Class	Number of Shares of common stock outstanding
Common stock	**8,425,981,156 shares**
Preferred stock	**2,350,000,000 shares**

11. Are any of the registrant's securities listed on the Philippine Stock Exchange?

    Yes [x] No [ ]

12. Check 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 Section 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period of the registrant was required to file such reports.)

Yes [x] No [ ]

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

Yes [x] No [ ]

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STARMALLS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF MARCH 31, 2018 AND DECEMBER 31, 2017
(In Million Pesos)

	Unaudited 03/31/2018	*Audited 2017*
A S S E T S		
CURRENT ASSETS		
Cash (Note 7)	**288**	572
Available-for-sale financial assets (Note 8)	**35**	35
Receivables (Notes 9)	**8,012**	6,813
Receivables from related parties	**5,292**	4,755
Real estate properties for sale (Note 10)	**322**	322
Prepayments and other current assets (Note 11)	**1,750**	1,473
Total Current Assets	**15,699**	13,970
NON-CURRENT ASSETS		
Available-for-sale financial assets - net of current portion (Notes 8)	**4,509**	4,509
Receivables - net of current portion (Notes 9)	**12**	12
Receivables from related parties – net of current portion	**207**	168
Property and equipment	**48**	52
Investment properties (Note 12)	**26,817**	25,580
Other noncurrent assets (Note 11)	**841**	1,039
Total Non-current Assets	**32,434**	31,360
TOTAL ASSETS	**48,133**	45,330
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Trade and other payables (Note 14)	**3,121**	1,917
Interest-bearing loans and borrowings (Note 15)	**1,602**	1,602
Liability for purchased land (Note 13)	**336**	578
Income tax payable	**76**	38
Payables to related parties	**13,487**	11,914
Total Current Liabilities	**18,622**	16,049
NON-CURRENT LIABILITIES		
Interest-bearing loans and borrowings - net of current portion (Notes 15)	**5,419**	5,928
Liability for purchased land (Note 13)	**275**	245
Refundable deposits	**164**	175
Pension Liabilities	**51**	51
Deferred tax liabilities – net	**1,679**	1,530
Other non-current liabilities	**722**	732
Total Non-current Liabilities	**8,310**	8,661
Total Liabilities	**26,932**	24,710
EQUITY		
Equity attributable to parent company's shareholders (Note 16)		
Capital Stock	**8,449**	8,449
Additional paid-in capital	**6,389**	6,389
Revaluation reserves	**-**	-
Retained earnings	**7,011**	6,434
Other Comprehensive Income	**(764)**	(764)
Total equity attributable to parent company's shareholders	**21,085**	20,508
Non-controlling interest	**116**	112
Total Equity	**21,201**	20,620
TOTAL LIABILITIES AND EQUITY	**48,133**	45,330

STARMALLS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED MARCH 31, 2018 AND 2017
(In Million Pesos)

	Unadited Jan-Mar Q1 - 2018	***Unadited Jan-Mar 2018***	*Unadited Jan-Mar Q1 - 2017*	*Unadited Jan-Mar 2017*
REVENUES				
Rental Income	**1,376**	**1,376**	1,219	1,219
Other Operating Income	**121**	**121**	141	141
	1,497	**1,497**	1,360	1,360
OPERATING EXPENSES				
Depreciation and Amortization	**250**	**250**	240	240
Other operating and administrative (Note 17)	**412**	**412**	407	407
	662	**662**	647	647
OPERATING PROFIT	**835**	**835**	713	713
OTHER INCOME (CHARGES)				
Finance income	**5**	**5**	11	11
Finance costs – net	**(7)**	**(7)**	(23)	(23)
	(2)	**(2)**	(12)	(12)
PROFIT BEFORE TAX	**833**	**833**	701	701
TAX EXPENSE (Note 22)	**(251)**	**(251)**	(212)	(212)
NET INCOME	**582**	**582**	489	489
NET INCOME ATTRIBUTABLE TO:				
Equity holders of the Parent Company	**578**	**578**	484	484
Non-controlling interest	**4**	**4**	5	5
	582	**582**	489	489
Weighted outstanding common shares	**8,426**	**8,426**	8,426	8,426
Basic / Diluted Earnings per share (Note 18)	**0.069**	**0.069**	0.057	0.057

STARMALLS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED MARCH 31, 2018 AND 2017
(In Million Pesos)

	Unadited Jan-Mar Q1 - 2018	***Unadited Jan-Mar 2018***	*Unadited Jan-Mar Q1 - 2017*	*Unadited Jan-Mar 2017*
NET INCOME	**582**	**582**	489	489
OTHER COMPREHENSIVE INCOME (LOSS)				
Fair value loss on Available for Sale Financial Assets	-	-	68	68
TOTAL COMPREHENSIVE INCOME	582	582	557	557
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Equity holders of the Parent Company	578	578	551	551
Non-controlling interest	4	4	6	6
	582	582	557	557
Weighted outstanding common shares	8,426	8,426	8,426	8,426
Basic/Diluted Earnings per Share (Note 18)	0.069	0.069	0.065	0.065

STARMALLS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2018 AND 2017
(In Million Pesos)

	***Unaudited Jan – Mar* 2018**	*Unaudited Jan – Mar* 2017
EQUITY ATTRIBUTABLE TO PARENT COMPANY'S SHAREHOLDERS		
COMMON STOCK		
Balance at beginning of period	**8,426**	8,426
Treasury shares	**-**	-
Balance at end of period	**8,426**	8,426
PREFERRED STOCK		
Balance at beginning of period	**23**	23
Treasury shares	**-**	-
Balance at end of period	**23**	23
ADDITIONAL PAID-IN CAPITAL	**6,389**	6,389
Cost of additional life of Starmalls	**-**	-
Balance at end of period	**6,389**	6,389
RETAINED EARNINGS		
Balance at beginning of period	**6,433**	4,703
Net income	**582**	489
Dividend declared	**-**	-
Minority interest	**(4)**	(5)
Balance at end of period	**7,011**	5,187
OTHER COMPREHENSIVE INCOME		
Balance at beginning of period	**(764)**	(1,535)
Fair value gains (losses)	**-**	68
Balance at end of period	**(764)**	(1,467)
MINORITY INTEREST		
Balance at beginning of period	**112**	77
Share in net income	**4**	5
MINORITY INTEREST	**116**	82
TOTAL EQUITY	**21,201**	18,640

STARMALLS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2018
(In Million Pesos)

	Unadited Jan-Mar Q1 - 2018	**Unadited Jan-Mar 2018**	*Unadited Jan-Mar 2017*	*Unadited Jan-Mar 2017*
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before tax	**833**	**833**	701	701
Adjustments for:				
Finance Costs	**7**	**7**	23	23
Depreciation and amortization	**250**	**250**	240	240
Interest income	**(5)**	**(5)**	(11)	(11)
Operating income before changes in operating assets and liabilities	**1,085**	**1,085**	953	953
Decrease (Increase) in:				
Trade and other receivables	**(1,199)**	**(1,199)**	(644)	(644)
Prepayments and other current assets	**(278)**	**(278)**	(100)	(100)
Increase (Decrease) in:				
Trade and other payables	**1,205**	**1,205**	(35)	(35)
Cash from operations	**813**	**813**	174	174
Payment of taxes	**(64)**	**(64)**	(37)	(37)
Interest received	**5**	**5**	11	11
Interest paid	**(115)**	**(115)**	(159)	(159)
Net Cash provided by (used in) Operating Activities	**639**	**639**	(11)	(11)
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of AFS investments	**-**	**-**	2	2
Increase in investment properties and property and equipment	**(1,587)**	**(1,587)**	(562)	(562)
Increase in other non-current assets	**199**	**199**	(7)	(7)
Increase in other non-current liabilities	**(12)**	**(12)**	3	3
Net Cash used in Investing Activities	**(1,400)**	**(1,400)**	(564)	(564)
CASH FLOWS FROM INVESTING ACTIVITIES				
Increase in payables to related parties - net	**996**	**996**	1,860	1,860
Payments of interest bearing loans and borrowings – net	**(509)**	**(509)**	(338)	(338)
Increase (decrease) in refundable deposits	**(10)**	**(10)**	6	6
Net Cash provided by Financing Activities	**477**	**477**	1,528	1,528
NET INCREASE (DECREASE) IN CASH	**(284)**	**(284)**	953	953
CASH AT BEGINNING OF PERIOD	**572**	**572**	428	428
CASH AT END OF PERIOD	**288**	**288**	1,381	1,381

STARMALLS, INC. AND SUBSIDIARIES
NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2018
(Amounts in Philippine Pesos)

1. CORPORATE INFORMATION

Starmalls, Inc. (the Parent Company) was incorporated in the Republic of the Philippines and duly registered with the Securities and Exchange Commission (SEC) on October 16, 1969, originally to pursue mineral exploration. After obtaining Philippine SEC approval on November 10, 2004, the Parent Company changed its primary business to holding investments in shares of stock and real estate.

The Parent Company is the holding company of the Starmalls Group (the Group) which is engaged in development and leasing of retail malls and Business Process Outsourcing ("BPO") commercial centers. The Group has wholly owned subsidiary, Masterpiece Asia Properties, Inc. (MAPI) and a 98.36% owned subsidiary, Manuela Corporation (MC or Manuela).

On November 10, 2015, Vista Land & Lifescapes, Inc. (VLLI or Vista Land) signed an agreement with the existing shareholders of the Group to acquire 88.34% or 7,443.19 million shares of the outstanding capital stock of the Parent Company for a total consideration of ₱33,537.36 million.

Starmalls and its subsidiaries became subsidiaries of Vista Land as at December 31, 2015.

Both Vista Land and Starmalls Group are entities under common control of Fine Properties, Inc. (the Ultimate Parent Company or Fine). Accordingly, Vista Land accounted for the acquisition of the Group under the pooling-of-interest method of accounting.

The Parent Company is 88.34% owned by Vista Land while 7.50% is owned by Land & Houses Public Company Limited and 4.16% is owned by the public. The Parent Company's shares of stock are listed at the Philippine Stock Exchange (PSE).

In a meeting held on May 3, 2016 and June 27, 2016, the Board of Directors (BOD) and the Stockholders, respectively, ratified and approved the amendments of Article III and Article IV of the Articles of Incorporation to extend the corporate term for another 50 years from October 15, 2019 and to change the registered office and principal place of business of the Parent Company. On March 31, 2017, the Amended Articles of Incorporation was approved by the Philippine SEC.

The Parent Company's new registered office and principal place of business is located at Lower Ground Floor, Building B, EVIA Lifestyle Center, Vista City, Daanghari, Almanza II, Las Piñas City.

2. BASIS OF PREPARATION

The accompanying consolidated financial statements of the Group have been prepared on a historical cost basis, except for the available-for-sale (AFS) financial assets which have been measured at fair value. The consolidated financial statements are presented in Philippine Peso (₱) which is the functional and presentation currency of the Parent Company, and all amounts are rounded to the nearest Philippine Peso unless otherwise indicated.

<u>Statement of Compliance</u>
The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at December 31, 2017 and 2016, and for each of the three years in the period ended December 31, 2017.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

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

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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

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

Profit or loss and each component of Other Comprehensive Income (OCI) are attributed to the equity holders of the Parent Company and to the noncontrolling interests (NCI), even if this results in the NCI having a deficit balance. The consolidated financial statements are prepared using uniform accounting policies for like transactions and other similar events. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

The consolidated financial statements include the financial statements of the Parent Company and the following subsidiaries. The voting rights held by the Group in these subsidiaries are in proportion of their ownership interest.

	Percentage of Ownership	
	Mar-31-18	Dec-31-17
Manuela Corporation	**98.36%**	98.36%
Masterpiece Asia Properties, Inc.	**100.00**	100.00

Non-controlling Interests
Non-controlling interests represent the portion of profit or loss and net assets not owned, directly or indirectly, by the Group.

Non-controlling interests are presented separately in the consolidated statement of income, consolidated statement of comprehensive income, and within equity in the consolidated statement of financial position, separately from parent shareholder's equity. Any losses applicable to the noncontrolling interests are allocated against the interests of the non-controlling interest even if this results to the non-controlling interest having a deficit balance. The acquisition of an additional ownership interest in a subsidiary without a change of control is accounted for as an equity transaction. Any excess or deficit of consideration paid over the carrying amount of the non-controlling interest is recognized in equity of the parent in transactions where the non-controlling interest are acquired or sold without loss of control.

As at December 31, 2017 and 2016, percentage of non-controlling interests pertaining to Manuela Corporation amounted to 1.64%. The voting rights held by the non-controlling interest are in proportion of their ownership interest.

The Parent Company and the subsidiaries are all domiciled and incorporated in the Philippines and are in the business of leasing commercial spaces and buildings.

3. CHANGES IN ACCOUNTING POLICIES

The Group applied for the first time certain pronouncements, which are effective for annual periods beginning on or after January 1, 2017. Unless otherwise indicated, the adoption of the new accounting standards will not impact the consolidated financial statements.

- Amendments to PFRS 12, *Disclosure of Interests in Other Entities, Clarification of the Scope of the Standard* (Part of *Annual Improvements* to PFRSs 2014 - 2016 Cycle)

  The amendments clarify that the disclosure requirements in PFRS 12, other than those relating to summarized financial information, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

  Adoption of these amendments did not have any impact on the Group's consolidated financial statements because it does not have disposal group.

- Amendments to PAS 7, *Statement of Cash Flows, Disclosure Initiative*

  The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses).

  The Group has provided the required information in Note 29 to the consolidated financial statements. As allowed under the transition provisions of the standard, the Group did not present comparative information for the year ended December 31, 2017 and 2015.

- Amendments to PAS 12, *Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses*

  The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions upon the reversal of the deductible temporary difference related to unrealized losses. Furthermore, the amendments provide

guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

The Group applied the amendments retrospectively. However, their application has no effect on the Group's financial position and performance as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

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

Effective beginning on or after January 1, 2018

- Amendments to PFRS 2, *Share-based Payment, Classification and Measurement of Share-based Payment Transactions*

  The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

  On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted.

  The Group does not expect impact from the adoption of this amendment because it does not have share-based payment transactions.

- PFRS 9, *Financial Instruments*

  PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, Financial Instruments: Recognition and Measurement, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. Retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

  The Group plans to adopt the new standard on the mandatory effective date and will not restate comparative information.

  In 2017, the Group performed its initial impact assessment of PFRS 9 and assessed that it will impact its methodology and measurement of credit losses as well on the classification and measurement of financial assets. There is no impact to the classification and measurement of its financial liabilities.

- Amendments to PFRS 4, *Insurance Contracts, Applying PFRS 9, Financial Instruments, with PFRS 4*

  The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the new insurance contracts standard. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying PFRS 9 and an overlay approach. The temporary exemption is first applied for reporting periods beginning on or after January 1, 2018. An entity may elect the

overlay approach when it first applies PFRS 9 and apply that approach retrospectively to financial assets designated on transition to PFRS 9. The entity restates comparative information reflecting the overlay approach if, and only if, the entity restates comparative information when applying PFRS 9.

The amendments are not applicable to the Group since none of the entities within the Group have activities that are connected with insurance or issue insurance contracts.

- PFRS 15, *Revenue from Contracts with Customers*

  PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue.

  The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRSs. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after January 1, 2018. Early adoption is permitted. The Group plans to adopt the new standard on the required effective date using the modified retrospective method.

  Based on its initial assessment, adoption of PFRS 15 has no significant impact to the leasing operations of the Group because it is following lease accounting which is covered by another accounting standard while other sources of revenue such as interest and dividends are already aligned with the requirements of PFRS 15. It will impact, however, its real estate development business as follows:

  - Significant financing component in relation to advance payments received from customers or advance proportion of work performed
  - Determination if existing documentation would meet the definition of contracts for real estate agreements
  - Accounting for costs in obtaining the contract for real estate agreements
  - Measurement of progress for real estate

  The recognition and measurement requirements in PFRS 15 also apply to gains or losses on disposal of nonfinancial assets such as items of property and equipment and investment properties when that disposal is not in the ordinary course of business.

- Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements* to PFRSs 2014 - 2016 Cycle)

  The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. The amendments should be applied retrospectively, with earlier application permitted.

The amendments should be applied retrospectively, with earlier application permitted. The amendment is not expected to significantly impact the financial statements since entities within the Group are not venture capital organization or alike.

- Amendments to PAS 40, *Investment Property, Transfers of Investment Property*

  The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight.

  The Group has assessed the impact of the standard and will apply to its future change in use of properties to and from investment property given that it is in the mall and commercial center operations.

- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*

  The interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. Entities may apply the amendments on a fully retrospective basis. Alternatively, an entity may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the consolidated financial statements of the reporting period in which the entity first applies the interpretation.

  The Group does not expect any effect on its consolidated financial statements upon adoption of this interpretation.

Effective beginning on or after January 1, 2019

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*

  The amendments to PFRS 9 allow debt instruments with negative compensation prepayment features to be measured at amortized cost or fair value through other comprehensive income. An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.

  The Group will apply this amendment if there are transactions of this nature in the future. None of its current transactions will fall under this feature.

- PFRS 16, *Leases*

  PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, Leases. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and

short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17.

Early application is permitted, but not before an entity applies PFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

The new lease standard will impact its operating lease agreements with its land leases which are currently accounted for as operating leases, which will now require to be recorded as right of use asset and the related lease liability. There is no significant impact to the Group as a lessor for its investment portfolio. There will be more disclosures as required by the new standard.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*

  The amendments to PAS 28 clarify that entities should account for long-term interests in an associate or joint venture to which the equity method is not applied using PFRS 9. An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.

  The Group does not expect this amendment to have significant impact to the consolidated financial statements because it does not currently have interests in associates and joint ventures.

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*

  The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12 and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

  The interpretation specifically addresses the following:
  - Whether an entity considers uncertain tax treatments separately
  - The assumptions an entity makes about the examination of tax treatments by taxation authorities
  - How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
  - How an entity considers changes in facts and circumstances

  An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

The Group is currently assessing the impact of adopting this interpretation.

Deferred effectivity

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

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

  On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Current and Noncurrent Classification
The Group presents assets and liabilities in consolidated statement of financial position based on current/noncurrent classification.

An asset is current when:

- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within 12 months after reporting date; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after reporting date.

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within 12 months after reporting date; or
- There is no unconditional right to defer the settlement of the liability for at least 12 months after reporting date.

The Group classifies all other liabilities as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities, respectively.

Cash
Cash includes cash on hand and in banks. Cash in banks earn interest at the prevailing interest rate.

Financial Instruments

Date of recognition

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

Initial recognition of financial instruments

All financial assets and financial liabilities are initially recognized at fair value. Except for financial assets and liabilities at fair value through profit or loss (FVPL), the initial measurement of financial assets and liabilities include transaction costs. The Group classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, AFS financial assets, and loans and receivables.

The Group classifies its financial liabilities as financial liabilities at FVPL or other financial liabilities.

The classification depends on the purpose for which the investments were acquired and whether these are quoted in an active market. The financial assets of the Group are of the nature of loans and receivable, AFS financial assets and HTM financial assets, while its financial liabilities are of the nature of other financial liabilities. Management determines the classification at initial recognition and re-evaluates such designation, where allowed and appropriate, at every reporting date.

Financial instruments are classified as liability or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

Fair Value Measurement

The Group measures AFS financial assets at fair value at each reporting date. Also, fair values of loans and receivables, other financial liabilities and investment properties are disclosed in Notes 13 and 26.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

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

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

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

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

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

"Day 1" difference
Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a "Day 1" difference) in profit or loss under "Interest income" and "Interest expense" accounts unless it qualifies for recognition as some other type of asset or liability. In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognized in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the "Day 1" difference amount.

Loans and receivables
Loans and receivables are nonderivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as financial assets held-for-trading, designated as AFS or as financial assets at FVPL. Receivables are recognized initially at fair value. After initial measurement, loans and receivables are subsequently measured at cost or at amortized cost using the effective interest method, less allowance for impairment losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate (EIR). The amortization, if any, is included in profit or loss. The losses arising from impairment of receivables are recognized in profit or loss. These financial assets are included in current assets if maturity is within twelve (12) months from the financial reporting date. Otherwise, these are classified as noncurrent assets.

This accounting policy applies primarily to the Group's cash, receivables (except for advances to contractors and suppliers), receivables from related parties and cash restricted for use included in "Other noncurrent assets".

AFS financial assets
AFS financial assets are nonderivative financial assets that are designated as such or do not qualify to be classified or designated as financial assets at FVPL, HTM investments or loans and receivables. These are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions.

After initial measurement, AFS financial assets are subsequently measured at fair value with unrealised gains or losses recognized in OCI and credited to the OCI until the investment is derecognized, at which time, the cumulative gain or loss is recognized in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the OCI to the consolidated statement of comprehensive income in interest and other financing charges. Interest earned whilst holding AFS financial assets is reported as interest income using the EIR method.

When the investment is disposed of, the cumulative gain or loss previously recognized in OCI is recognized as gain or loss on disposal in profit or loss. Where the Group holds more than one investment in the same security these are deemed to be disposed of on a first-in first-out basis. Interest earned on holding AFS financial assets are reported as interest and other income from investments using the EIR. Dividends earned on holding AFS financial assets are recognized in profit or loss as part of miscellaneous income when the right to receive payment has been established. The losses arising from impairment of such investments are recognized as provisions for impairment losses in profit or loss.

When the fair value of AFS equity financial assets cannot be measured reliably because of lack of reliable estimates of future cash flows and discount rates necessary to calculate the fair value of unquoted equity instruments, these investments are carried at cost, less any impairment losses.

As at March 31, 2018 and December 31, 2017, AFS financial assets comprise of unquoted and quoted equity securities and investment in mutual funds.

Other financial liabilities
Other financial liabilities are initially recognized at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the EIR. Gains and losses are recognized in profit or loss when the liabilities are derecognized (redemption is a form of derecognition), as well as through the amortization process. Any effects of restatement of foreign currency-denominated liabilities are recognized in profit or loss.

The financial liabilities measured at cost are trade and other payables (except for deferred output VAT), liability for purchased land, payables to related parties and dividends payable. The financial liabilities measured at amortized cost are interest-bearing loans and borrowings.

Derecognition of Financial Assets and Financial Liabilities

Financial asset
A financial asset (or, where applicable, a part of a group of financial assets) is derecognized where: (a) the rights to receive cash flows from the assets have expired; (b) the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third-party under a "pass-through" arrangement; or (c) the Group has transferred its right to receive cash flows from the asset and either: (i) has transferred substantially all the risks and rewards of the asset, or (ii) has neither transferred nor retained the risks and rewards of the asset but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

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

Impairment of Financial Assets
The Group assesses at each financial reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. The fact that title of the real estate properties are transferred only to the buyer upon full payment of the contract price is considered in the evaluation of impairment. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortized cost
The Group first assesses whether an objective evidence of impairment exists individually for financial assets that are individually significant. If there is objective evidence that an impairment loss on a financial asset carried at amortized cost (i.e., loans and receivables or HTM investments) has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of the estimated future cash flows discounted at the assets original EIR (excluding future credit losses that have not been incurred). If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, the asset, together with the other assets that are not individually significant and were thus not individually assessed for impairment, is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment.

Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of credit risk characteristics such as selling price of the lots and residential houses, past-due status and term.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is charged to profit or loss. Financial assets carried at amortized costs, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

AFS financial assets carried at fair value
For AFS financial assets, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired. In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the consolidated statement of comprehensive income is removed from OCI and recognized in the consolidated statement of comprehensive income. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognized in OCI.

The determination of what is 'significant' or 'prolonged' requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost. In the case of debt instruments classified as AFS, the impairment is assessed based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the consolidated statement of comprehensive income.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the consolidated statement of comprehensive income, the impairment loss is reversed through the consolidated statement of comprehensive income.

AFS financial assets carried at cost
If there is an objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Offsetting Financial Instruments

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

Real Estate Properties for Sale

Real estate properties for sale consist of subdivision land and residential houses and lots for sale and development. These are properties acquired or being constructed for sale in the ordinary course of business rather than to be held for rental or capital appreciation. These are held as inventory and are measured at the lower of cost and net realizable value (NRV).

Cost includes:

- Acquisition cost of raw land and subdivision land;
- Amounts paid to contractors for construction and development of subdivision land and residential houses and lots; and
- Capitalized borrowing costs, planning and design costs, cost of site preparation, professional fees for legal services, property transfer taxes, construction overheads and other related costs.

NRV is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date, less costs to complete and the estimated costs of sale. The carrying amount of inventories is reduced through the use of allowance account and the amount of loss is charged to profit or loss.

The cost of inventory recognized in profit or loss on disposal is determined with reference to the specific costs incurred on the property sold and an allocation of any non-specific costs. The total costs are allocated pro-rata based on the relative size of the property sold.

Value-Added Tax

Input tax represents the VAT due or paid on purchases of goods and services subjected to VAT that the Group can claim against any future liability to the BIR for output VAT on sale of goods and services subjected to VAT. The input tax can also be recovered as tax credit under certain circumstances against future income tax liability of the Group upon approval of the BIR and/or Bureau of Customs. Input tax is stated at its estimated net realizable values. A valuation allowance is provided for any portion of the input tax that cannot be claimed against output tax or recovered as tax credit against future income tax liability. Input tax is recorded under current assets in the statement of financial position.

For its VAT-registered activities, when VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the consolidated statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the consolidated statement of financial position up to the extent of the recoverable amount.

For its non-VAT registered activities, the amount of VAT passed on from its purchases of goods or service is recognized as part of the cost of goods/asset acquired or as part of the expense item, as applicable.

Prepaid Expenses

Prepaid expenses are carried at cost less the amortized portion. These typically comprise prepayments for marketing fees, taxes and licenses, rentals and insurance.

Creditable Withholding Tax
Creditable withholding tax pertains to taxes withheld on income payments and may be applied against income tax due. The balance of taxes withheld is recovered in future period.

Property and Equipment
Property and equipment are carried at cost less accumulated depreciation and any impairment in value. The initial cost of property and equipment consists of its purchase price, including import duties, taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Depreciation and amortization of property and equipment commences once the property and equipment are available for use and computed using the straight-line basis over the Estimated Useful Life (EUL) of property and equipment as follows:

	Years
Office and other equipment	3 to 5
Transportation equipment	3
Construction equipment	1 to 2

The useful lives and depreciation and amortization method are reviewed annually to ensure that the period and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

When property and equipment are retired or otherwise disposed of, the cost of the related accumulated depreciation and amortization and accumulated provision for impairment losses, if any, are removed from the accounts and any resulting gain or loss is credited to or charged against current operations.

Fully depreciated and amortized property and equipment are retained in the accounts until they are no longer in use. No further depreciation and amortization is charged against current operations.

Investment Properties
Investment properties comprise of completed property and property under construction or re-development that are held to earn rentals or for capital appreciation or both. Investment properties, except for land, are carried at cost less accumulated depreciation and amortization and any impairment in value. Land is carried at cost less any impairment in value.

Expenditures incurred after the investment property has been put in operation, such as repairs and maintenance costs, are normally charged against income in the period in which the costs are incurred.

Construction-in-progress (CIP) is stated at cost. This includes cost of construction and other direct costs. CIP is not depreciated until such time as the relevant assets are completed and put into operational use. Construction-in-progress are carried at cost and transferred to the related investment property account when the construction and related activities to prepare the property for its intended use are complete, and the property is ready for occupation.

Depreciation and amortization are computed using the straight-line method over the EUL of the assets, regardless of utilization. The EUL and the depreciation and amortization method are reviewed periodically to ensure that the period and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of investment properties.

The EUL of buildings and building improvements is 10 to 40 years.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognized in profit or loss in the year of retirement or disposal.

Transfers are made to investment property when there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale. Transfers between investment property, owner-occupied property and inventories do not change the carrying amount of the property transferred and they do not change the cost of the property for measurement or for disclosure purposes.

Impairment of Nonfinancial Assets
This accounting policy relates to prepayments and other assets (except for cash restricted for use), property and equipment and investment properties.

The Group assesses as at reporting date whether there is an indication that nonfinancial assets may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is calculated as the higher of the asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

An assessment is made at each financial reporting date as to whether there is an indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as revaluation increase in OCI. After such reversal, the depreciation and amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Security deposit
Security deposits are measured at amortized cost. Security deposit are deposits received from various tenants upon inception of the respective lease control on the Group's investment properties. At the termination of the lease contracts, the deposit received by the Group are returned to tenants, reduced by unpaid rental fees, penalties and/or deductions from repairs of damaged leased properties, if any. The related lease contracts usually have a term of more than 12 months.

Construction bonds
Construction bonds are measured at amortized cost. Construction bonds are deposits from tenants undertaking construction and/or repairs of their leased commercial spaces. At the termination of the construction period, the deposit received by the Group are returned to tenants, reduced by penalties and/or deductions from repairs of damaged leased properties, if any. The construction contracts usually have a term of more than 12 months.

Retention payable
Retention payable are amount withheld from the contractors as guaranty for any claims against them. These are settled and paid once the construction period has expired.

Equity

Capital stock is measured at par value for all shares subscribed, issued and outstanding. When the shares are sold at premium, the difference between the proceeds at the par value is credited to "Additional paid-in capital" account. Direct costs incurred related to equity issuance are chargeable to "Additional paid-in capital" account. If additional paid-in capital is not sufficient, the excess is charged against retained earnings. When the Group issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued.

Retained earnings represent accumulated earnings of the Group less dividends declared. It includes the accumulated equity in undistributed earnings of consolidated subsidiaries which are not available for dividends until declared by the subsidiaries.

The retained earnings is restricted to payments of dividends to the extent of the cost of treasury shares.

Revenue and Cost Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow and the amount of revenue can be reliably measured. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as principal in all its revenue arrangements.

Rental income

Rental income under noncancellable leases are recognized in the consolidated statements of comprehensive income under "Rental income" on a straight-line basis over the term of the lease. Contingent rent is recognized as revenue in the period in which it is earned.

Common usage and service area charges and reimbursable tenant fees

Revenue is recognized when the performance of service has been substantially rendered. Income received from these charges are presented under "Rental income" in the consolidated statements of comprehensive income.

Parking fees

Parking fees are recognized as revenue when earned.

Real estate revenue

For real estate sales, the Group assesses whether it is probable that the economic benefits will flow to the Group when the sales prices are collectible. Collectability of the sales price is demonstrated by the buyer's commitment to pay, which in turn is supported by substantial initial and continuing investments that give the buyer a stake in the property sufficient that the risk of loss through default motivates the buyer to honor its obligation to the seller. Collectability is also assessed by considering factors such as the credit standing of the buyer, age and location of the property.

Revenue from sales of completed real estate projects is accounted for using the full accrual method. In accordance with Philippine Interpretations Committee, Q&A 2006-01, the percentage-of-completion (POC) method is used to recognize income from sales of projects where the Group has material obligations under the sales contract to complete the project after the property is sold, the equitable interest has been transferred to the buyer, construction is beyond preliminary stage (i.e., engineering, design work, construction contracts execution, site clearance and preparation, excavation and the building foundation are finished, and the costs incurred or to be incurred can be measured reliably). Under this method, revenue is recognized as the related obligations are fulfilled, measured principally on the basis of the estimated completion of a physical proportion of the contract work.

Any excess of collections over the recognized receivables are included in the "Customers' advances and deposits" account in the liabilities section of the consolidated statement of financial position.

When a sale of real estate does not meet the requirements for revenue recognition, the sale is accounted for under the deposit method. Under this method, revenue is not recognized, and the receivable from the buyer is not recorded. The real estate inventories continue to be reported on the consolidated statement of financial position as "Real estate inventories" and the related liability as deposits under "Customers' advances and deposits".

Cost of real estate sales is recognized consistent with the revenue recognition method applied. Cost of subdivision land and condominium units sold before the completion of the development is determined on the basis of the acquisition cost of the land plus its full development costs, which include estimated costs for future development works, as determined by the Group's in-house technical staff.

Interest income
Interest is recognized using the effective interest method, i.e, the rate, that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Unearned discount is recognized as income over the terms of the loans and receivables using the effective interest method and is shown as deduction for the financial assets.

Miscellaneous income
Miscellaneous income are recognized when the Group's right to receive payment is established.

Borrowing Costs
Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the investment properties in the consolidated statement of financial position. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

The interest capitalized is calculated using the Group's weighted average cost of borrowings after adjusting for borrowings associated with specific developments. Where borrowings are associated with specific developments, the amounts capitalized is the gross interest incurred on those borrowings less any investment income arising on their temporary investment.

Interest is capitalized from the commencement of the development work until the date of practical completion. The capitalization of finance costs is suspended if there are prolonged periods when development activity is interrupted. Interest is also capitalized on the purchase cost of a site of property acquired specifically for redevelopment but only where activities necessary to prepare the asset for redevelopment are in progress.

Operating Expenses
Operating expenses constitute costs of administering the business. These are recognized as expenses when incurred.

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

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

Defined benefit costs comprise the following:
(a) service cost;
(b) net interest on the net defined benefit liability or asset; and
(c) remeasurements of net defined benefit liability or asset.

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on high quality corporate bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

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

Income Taxes

Current tax

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

Deferred tax

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

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences and carry forward benefit of unused tax credits from excess of minimum corporate income tax (MCIT) over the regular corporate income tax and unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable income will be available against which the deductible temporary differences and carry forward benefits of MCIT and NOLCO can be utilized.

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

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

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

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

Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date, and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

(a) there is a change in contractual terms, other than a renewal or extension of the arrangement; a renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;
(b) there is a change in the determination of whether fulfillment is dependent on a specified asset; or
(c) there is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for any of the scenarios above, and at the date of renewal or extension period for the second scenario.

Group as a lessor

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

Group as a lessee

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in profit or loss in the consolidated statement of comprehensive income on a straight-line basis over the lease term. Indirect costs incurred in negotiating an operating lease are added to the carrying value of the leased asset and recognized over the lease term on the same bases as the lease income. Minimum lease payments are recognized on a straight-line basis while the variable rent is recognized as an expense based on the terms of the lease contract.

Foreign Currency Translation

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. Exchange gains or losses arising from foreign exchange transactions are credited to or charged against operations for the period.

Basic and Diluted Earnings Per Share (EPS)

Basic EPS is computed by dividing net income attributable to equity holders of the Parent Company by the weighted average number of common shares issued and outstanding during the year adjusted for any subsequent stock dividends declared. Diluted EPS is computed by dividing net income attributable to the equity holders of the Parent Company by the weighted average number of common shares issued and outstanding during the year after giving effect to assumed conversion of potential common shares. The calculation of diluted EPS does not assume conversion, exercise, or other issue of potential common shares that would have an antidilutive effect on earnings per share.

Segment Reporting

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on operating segments is presented in Note 6 to the consolidated financial statements.

Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects the current market assessment of the time value of money and the risk specific to the obligation. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized only when the reimbursement is virtually certain. The expense relating to any provision is presented in consolidated statement of comprehensive income net of any reimbursement.

Contingencies

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

Events After the Financial Reporting Date

Post year-end events that provide additional information about the Group's position at the reporting date (adjusting events) are reflected in the consolidated financial statements. Any post year-end events that are not adjusting events are disclosed in the consolidated financial statements when material.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of accompanying consolidated financial statements in compliance with PFRS requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The estimates and assumptions used in the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as at the date of the consolidated financial statements. Actual results could differ from such estimates.

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.

Judgments

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

Operating lease commitments - the Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined that it retains all significant risks and rewards of ownership of these properties as the Group considered among others the length of the lease term as compared with the EUL of the assets.

Real estate revenue and cost recognition

Selecting an appropriate revenue recognition method for a particular real estate sale transaction requires certain judgments based on, among others:

- Buyer's commitment on the sale which may be ascertained through the significance of the buyer's initial investment; and
- Stage of completion of the project.

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

Determining fair values of financial assets and liabilities
Fair value determinations for financial assets and liabilities are based generally on listed market prices or broker or dealer quotations. If prices are not readily determinable or if liquidating the positions is reasonably expected to affect market prices, fair value is based on either internal valuation models or management's estimate of amounts that could be realized under current market condition, assuming an orderly liquidation over a reasonable period of time. Fair value disclosures are provided in Note 26.

Impairment of loans and receivables
The Group reviews its receivables on a periodic basis to assess impairment of receivables at an individual and collective level. In assessing for impairment, the Group determines whether there is any objective evidence indicating that there is a measurable decrease in the estimated future cash flows of its loans and receivables. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers, or industry-wide or local economic conditions that correlate with defaults on receivables. These factors include, but are not limited to age of balances, financial status of counterparties, payment behavior and known market factors. The Group reviews the age and status of receivables, and identifies individually significant accounts that are to be provided with allowance.

For the purpose of a collective evaluation of impairment, loans are grouped on the basis of such credit risk characteristics as type of borrower, collateral type, past-due status and term.

The amount and timing of recorded expenses for any period would differ if the Group made different judgments or utilized different estimates. An increase in allowance for impairment would increase recorded expenses and decrease net income.

Evaluation of net realizable value of real estate properties for sale
Real estate properties for sale are valued at the lower of cost or NRV. This requires the Group to make an estimate of the real estate for sale inventories' estimated selling price in the ordinary course of business, cost of completion and costs necessary to make a sale to determine the NRV. The Group adjusts the cost of its real estate inventories to NRV based on its assessment of the recoverability of these assets. In determining the recoverability of these assets, management considers whether these assets are damaged, if their selling prices have declined and management's plan in discontinuing the real estate projects. Estimated selling price is derived from publicly available market data while estimated selling costs are basically commission expense and transfer costs.

6. SEGMENT INFORMATION

The Group's malls and BPO centers are all located in the Philippines and are treated as one operating segment. The real estate development of the Parent Company is very minimal to the overall operations and financial position of the Group as of March 31, 2018 and 2017. These were not treated as a separate segment by the chief operating decision maker for its review, evaluation and allocation of resources.

The Group has operating lease agreements with All Value Holdings, Inc. and Subsidiaries (All Value Group), an entity under common control, which is comprised of AllHome Corp., AllDay Retail Concepts, Inc. and Family Shoppers Unlimited Inc., for the leases of commercial spaces. Revenue earned from All Value Group which is engaged in retail businesses covering supermarkets, retail of apparel, construction materials and home/building appliances and furnishings constitutes more than 10% of the Group's total revenue in 2018, 2017 and 2016.

The leasing operations have no noted significant seasonality in operations.

7. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components as of March 31, 2018:

Cash on hand and in banks	**₱ 288**

Cash in banks earns interest at the prevailing bank deposit rates. Cash equivalents are short-term, highly liquid investments that are made for varying periods of up to three (3) months depending on the immediate cash requirements of the Group and earn interest as follows:

Philippine Peso	**1.20% to 2.00%**

8. AVAILABLE-FOR-SALE FINANCIAL ASSESTS

The breakdown of this account is as follows:

Equity – Current	**₱ 35**
Equity - Non current	**4,509**
	₱ 4,544

The fair values of the investments in AFS financial assets have been determined directly by reference to published prices in an active market

The AFS financial assets classified as current assets in the consolidated statements of financial position is intended by management to be disposed within 12 months from the end of the reporting period.

Interest income from AFS financial assets are presented as part of Finance Income under the Other Income (Charges) account in the consolidated statements of comprehensive income.

9. RECEIVABLES

The balance of this account is composed of the following as of March 31, 2018:

Trade receivables	**₱ 8,026**
Others	**53**
	₱ 8,082
Allowance for bad debts	**(55)**
	₱ 8,024

All of the Group's trade and other receivables have been reviewed for indications of impairment. In 2015, certain receivables from tenants, contractors, suppliers, brokers, and others were found to be impaired; hence, adequate amounts of allowance for impairment have been recognized.

Receivables from tenants represent the outstanding receivables arising from the lease of commercial spaces relating to the Group's mall operations and are collectible within 12 months from the end of the reporting period.

10. REAL ESTATE PROPERTIES FOR SALE

Real estate properties for sale as of March 31, 2018 are stated at cost, the details of which are shown below.

Land	**₱ 178**
Residential units for sale	**144**
	₱ 322

Residential units for sale represent houses and lots in completed subdivision projects for which the Group has already been granted the license to sell by the HLURB of the Philippines. Residential units include units that are ready for occupancy, house models and units under construction.

11. PREPAYMENTS AND OTHER ASSETS

This account is composed of the following as of March 31, 2018:

Current	
Input VAT	**₱ 1,487**
Prepayments	**153**
Creditable Withholding Tax	**4**
Refundable Deposits	**94**
Others	**12**
	₱ 1,750
Non-Current	
Refundable deposits	**₱ 105**
Restricted Cash	**736**
	₱ 841

The input VAT is applied against output VAT. The remaining balance is recoverable in future periods.

Advances to contractors, brokers and others pertain to receivables that are recouped from settlement of progress billing statements which occur within one year from date the receivables arose.

Prepayments pertain to prepaid taxes, insurance premiums, employee benefits, repairs and rent, which will be utilized within 12 months from the end of the reporting period.

Short-term installment contracts receivable represent the current portion of the Group's installment contracts receivable. The long-term installment contracts receivable consists of amounts arising from the sale of residential units that are collectible within 2 to 10 years.

Others include accrued interest receivable, penalties receivable from tenants due to late payments, security deposits, advance rentals and office supplies.

12. INVESTMENT PROPERTY

The Group's investment property includes several parcels of land and building and improvements, which are owned and held for capital appreciation and rental purposes.

The Group's investment property generates rental income under various operating lease agreements. Rental income from the investment property amounting to ₱1,376 million and ₱ 1,219 million for the period ended March 31, 2018 and 2017, respectively, are presented as Rental income under Revenues and Income in the consolidated statements of comprehensive income.

Direct costs incurred generally pertain to depreciation charges and real property taxes. Real property tax related to investment property was recognized as part of Taxes and Licenses in the consolidated statements of comprehensive income. Depreciation charges are presented as part of Depreciation and Amortization in the consolidated statements of comprehensive income.

The composition of this account is shown below.

Land	**₱ 9,428**
Building and improvements	**14,020**
Construction In Progress	**3,369**
	₱ 26,817

Commercial building under construction pertains to accumulated costs incurred in the development of certain commercial buildings. Capitalized borrowing costs representing the actual borrowing costs incurred on loans obtained to fund the construction project are included as part of the costs of Investment Property.

Fair Value of Investment Property

In 2016, the Company secured the services of an independent firm of appraisers to determine the fair market values of the Company's investment as of December 31, 2017. Fair market value of investment property is determined by reference to market-based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and seller in an arm's length transaction as at the valuation date.

The results of the appraisal below showed that the fair market values of investment property exceeded the related carrying amounts as of March 31, 2018.

	Land	**Buildings and Improvements**	**Total**
Company -			
Land in Valenzuela City	₱ 42,000,000	₱ –	₱ 42,000,000
MAPI:			
Sta. Rosa, Laguna	1,206,000,000	1,535,000,000	2,741,000,000
Imus, Cavite	227,000,000	318,000,000	545,000,000
Land in Bacoor, Cavite	4,591,000,000	753,000,000	5,344,000,000
Starmall San Jose del Monte	210,000,000	1,511,000,000	1,721,000,000
Mandaluyong City	232,000,000	415,000,000	647,000,000
Starmall Prima Taguig	1,464,000,000	1,276,000,000	2,740,000,000
Starmall Azienda	–	368,000,000	368,000,000
Manuela:			
Starmall Alabang	2,916,000,000	3,469,000,000	6,385,000,000
Starmall EDSA-Shaw	3,001,000,000	1,170,000,000	4,171,000,000
Starmall Las Piñas	394,100,000	1,642,900,000	2,037,000,000
Starmall Las Piñas-Annex	121,000,000	100,000,000	221,000,000
WCC	–	1,935,000,000	1,935,000,000
	₱ 14,404,100,000	₱ 14,492,900,000	₱ 28,897,000,000

13. LIABILITY FOR PURCHASED LAND

Liability for land acquisition represents the outstanding payable as of March 31, 2018 and December 31, 2017 relating to the Group's acquisition of certain parcels of land.

Additions in March 31, 2018 and December 31, 2017 pertains to land purchases in various locations from individual third parties to be held as future commercial building construction sites. From these purchases, the Company had outstanding liability of ₱ 336 million, payable in the next 12 months, and ₱ 275 million with maturity of more than 1 year, presented as part of the Liability for land acquisition in the current and non-current liabilities section, respectively, as of March 31, 2018.

14. TRADE AND OTHER PAYABLES

This account consists of:

Retention payable	**₱ 270**
Trade payables	**2,036**
Deferred output vat	**388**
Accrued rentals	**239**
Accrued expenses	**173**
Others	**15**
	₱ 3,121

Retentions payable pertains to 10% retention from the contractors' progress billings which will be released after the completion of contractors' project. The 10% retention serves as a holdout amount withheld from the contractor to cover for back charges that may arise from quality issues in affected projects.

Trade payables represent construction materials, marketing collaterals and office supplies ordered and delivered but not yet due. These are expected to be settled within a year after the recognition period.

Accrued expenses represent the accrual for security, building maintenance and janitorial services, salaries and employee benefits, professional fees, interest on interest-bearing loans and borrowings and other administrative expenses as well as marketing and advertising expenses, which are expected to be settled within 12 months after the end of the reporting period.

Accrued rentals pertain to the effect of straight-line recognition of contractual rent expense as prescribed by PAS 17, Leases.

Other payables pertain to salaries related premiums and loans payable and withholding taxes payable.

15. INTEREST BEARING LOANS AND BORROWINGS

The breakdown of this account is as follows:

Interest bearing loans – Current	**₱ 1,602**
Interest bearing loans - Non current	**5,419**
	₱ 7,021

Loans of Manuela
In 2015, the loan obtained from BDO worth 4,000 million considered general borrowings and has a maturity of seven years from the date of drawdown and bears an annual fixed interest rate of 5.75%. The Company transferred 1,800 million to MAPI contractors and 1,670 million to Parent Company for meeting working capital requirements. The remaining amount from the loan borrowed was used for the construction of BPO building and parking building in Las Piñas and for the redevelopment of other buildings owned by the Company. Real estate contracts under Starmall Alabang used as a mortgage for long term loan obtained by the company from BDO.

In 2014, the Company obtained various loans from UBP to finance the upgrade of the air conditioning systems of Starmall Las Piñas and Starmall Las Piñas - Annex and the acquisition of generator set upgrades for all the malls of the Company. The loans have maturities of five years from the date of drawdown and bear fixed annual interest rate of 5.75%. In 2013 and previous years, the Company also obtained various term loans from BDO and PDB to finance the upgrade of the air conditioning systems of Starmall EDSA - Shaw and Starmall Alabang and the expansion of the business process outsourcing area of WCC. The loans have maturities from October 2014 to February 2020 and bear an annual fixed interest rates ranging from 7.00% to 7.25%.

Certain properties registered under the name of MAPI are used as third party real estate mortgage for the secured long-term loan obtained from PDB.

Certain Investment properties are used as collaterals for loans obtained from local creditor banks.

Loans of MAPI
On July 24, 2017, MAPI, a subsidiary of the Company obtained a 10-year unsecured peso-denominated loan from a local bank amounting ₱500 million which bears annual fixed interest rate of 6.2255%. The principal balance of the loan will be paid in thirty two (32) equal quarterly installments commencing on the ninth interest payment date. The loan requires MAPI to maintain a current ratio of at least 1.00:1.00, a maximum debt-to-equity ratio of 2.50:1.00 and a debt-service coverage ratio (DSCR) of at least 1.00:100.

In 2015, MAPI entered into a term loan agreement with RCBC amounting to 2,274 million primarily to finance various ongoing mall constructions. The loans have maturities of seven years from the date of drawdown and bear an annual fixed interest rate of 5.75%.

In 2014, MAPI entered into a term loan agreement with CBC and AUB amounting to 1,000 million and 366 million, respectively, primarily to finance various ongoing mall constructions. The loan with CBC has maturities beginning December 2016 to June 2017 and bears annual interest of 4.50% while the loan with AUB has maturities beginning December 2014 to December 2019 and bears annual interest of 6.25%.

In connection with the loan entered with CBC, MAPI agreed to execute a negative pledge over certain real properties. MAPI cannot allow any other indebtedness to be secured by the covered real properties nor permit any other creditor to receive any priority or preference over the covered real properties, without written consent from the CBC.

In addition, the loan agreement with RCBC and AUB requires MAPI to maintain a current ratio of not lower than 1.50:1:00 and debt-equity ratio of not higher than 3.00:1.00. MAPI has complied with these loan covenants, including maintaining certain financial ratios as at the reporting dates.

MAPI is also required to maintain a reserve fund for its future loan and interest repayments.

In 2012, MAPI obtained a loan from AUB amounting to 420 million to finance the construction of Starmall San Jose del Monte. The loan is due to be settled until 2017 and bears annual interest rate of 5.70%.

16. EQUITY

Capital Stock

Capital stock consists of:

	Shares		Amount	
	31-Mar-18	31-Dec-17	31-Mar-18	31-Dec-17
Preferred shares - voting, cumulative, non-participating, non convertible, non-redeemable - P0.01 par value				
Authorized	**10,000,000,000**	10,000,000,000	**₱ 100,000,000**	₱ 100,000,000
Issued and outstanding:				
Balance at beginning of year	**2,350,000,000**	2,350,000,000	**₱ 23,500,000**	₱ 23,500,000
Issuance during the year	**-**	-	**-**	-
Balance at end of year	**2,350,000,000**	2,350,000,000	**₱ 23,500,000**	₱ 23,500,000
Common shares - P1.00 par value				
Authorized	**16,900,000,000**	16,900,000,000	**₱ 16,900,000,000**	₱ 16,900,000,000
Issued and outstanding:				
Balance at beginning of year	**8,425,981,156**	8,425,981,156	**₱ 8,425,981,156**	₱ 8,425,981,156
Issuance during the year	**-**	-	**-**	-
Balance at end of year	**8,425,981,156**	8,425,981,156	**₱ 8,425,981,156**	₱ 8,425,981,156
			₱ 8,449,481,156	₱ 8,449,481,156

On May 14, 2012, the BOD approved the increase in the Company's authorized capital stock from P5.5 billion divided into 5.5 billion shares with P1 par value to P17.0 billion divided into 16.9 billion common shares with P1 par value and 10.0 billion preferred shares with P0.01 par value. The application for increase in authorized capital stock was approved by the SEC on June 22, 2012.

Each preferred share is a voting, cumulative, non-participating, non-convertible and non-redeemable share.

The list of common shareholders of the Company is shown in the next page with their respective number of shares held:

	Number of Shares Issued	Percentage Ownership
VLLI	7,443,194,641	88.34%
L&H	808,431,465	9.59%
Others	174,355,050	2.07%
	8,425,981,156	100.00%

The following also illustrates the additional listings made by the Company:

On November 13, 1970, the SEC approved the listing of the Company's common shares totaling 1.0 billion. The shares were initially issued at an offer price of ₽0.01 per share.

On November 10, 2004, the SEC approved the increase in the authorized capital stock of the Company to ₽4.5 billion divided into 4.5 billion shares with a par value of ₽1.00 each, as authorized by the Company's BOD.

In 2005, the Company applied for another increase in its authorized capital stock to ₽5.5 billion divided into 5.5 billion shares with a par value of ₽1.00 each, as authorized by the Company's BOD. On November 23, 2005, the SEC approved the increase in the authorized capital stock of the Company.

As of March 31, 2018 and December 31, 2017, 8,425,981,156 shares are listed in the PSE and closed at ₱15.88 and ₱8.81 per share, respectively.

Retained Earnings
On September 27, 2017, the BOD approved the declaration of a regular cash dividend amounting ₱ 310.3 million or ₱0.0368 per share, payable to all stockholders of record as of October 12, 2017. The said dividends were paid on October 26, 2017.

On September 26, 2016, the BOD approved the declaration of a regular cash dividend amounting ₱180.89 million or ₱0.0215 per share, payable to all stockholders of record as of October 11, 2016. The said dividends were paid on October 26, 2016.

17. OTHER OPERATING INCOME AND EXPENSES

This account consists of:

Occupancy expenses	**P**	**38**
Outside services		**88**
Repairs and maintenance		**35**
Advertising and promotions		**18**
Salaries and employee benefits		**53**
Taxes and licenses		**47**
Others		**133**
Total	**P**	**412**

18. EARNINGS PER SHARE

Earnings per share were computed as follows:

Net Profit attributable to parent company's shareholders	**P**	**578**
Divided by weighted outstanding common shares		**8,426**
Earnings per share	**P**	**0.069**

Diluted earnings per share was not determined since the Group does not have potential dilutive shares as of March 31, 2018 and 2017.

Financial Soundness Indicator

Below are the financial ratios that are relevant to the Group for the period ended March 31, 2018 and 2017.

		Mar-31-18	Dec-31-17
Current Ratio	Current assets / Current liabilities	0.84	0.87
Long-term debt-to-equity ratio	Long-term debt[1] / Equity	0.27	0.30
Debt ratio	Interest bearing debt[2] / Total assets	0.16	0.18
Debt to equity ratio	Interest bearing debt / Total equity	0.36	0.41
Net debt to equity	Net debt[3] / Total equity	0.35	0.38
Asset to equity ratio	Total assets / Total equity	2.28	2.21

		Mar-31-18	Mar-31-17
EBITDA to total interest	EBITDA / Total interest	9.48	6.06
Price Earnings Ratio	Market Capitalization[4] / Net Income[5]	57.46	30.18
Asset to liability ratio	Total assets / Total liabilities	1.79	1.83
Net profit margin	Net profit / Sales	0.56	0.52
Return on assets	Net income[5] / Total assets	4.84%	5.13%
Return on equity	Net income[5] / Total equity	11.04%	10.48%
Interest Service Coverage Ratio	EBITDA / Total interest	9.48	6.06

[1] Pertains to long term portion of the Bank loans and Notes Payable

[2] Includes Bank Loans and Notes Payable

[3] Interest bearing debt less Cash, Short-term and Long Term Cash Investments, Available-for-sale financial assets (excluding unquoted equity securities) & Held-to-Maturity Investments

[4] Based on closing price at March 31, 2018 and 2017

[5] Annualized

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of operations covering three months ended March 31, 2018 vs. three months ended March 31, 2017

Revenues

Rental income increased by 13% from ₱ 1,219 million in the three months ended March 31, 2017 to ₱1,376 million in the period ended March 31, 2018. The increase was primarily attributable to the increase in occupancy and rental rates of the existing malls and additional gross floor area of the new commercial assets.

Other operating income decrease by 14% from ₱ 141 million in the three months ended March 31, 2017 to ₱121 million in the period ended March 31, 2018 due to the decrease in other operating income generated from the commercial assets.

Finance income decreased by 55% from ₱11 million in the three months ended March 31, 2017 to ₱5 million in the period ended March 31, 2018 due to the lower cash balance that yields interests for the period.

Finance costs decreased by 70% from ₱23 million in the period ended March 31, 2017 to ₱ 7 million in the period ended March 31, 2018 decrease due to a lower capitalization for the period as more investment properties have been completed.

Provision for tax increased by 18% from ₱ 212 million in the period ended March 31, 2017 to ₱ 251 million in the period ended March 31, 2018 due to the higher taxable income in the 3-months of 2017.

Net Income

As a result of the foregoing, the Group's net income increased by 19% from ₱489 million in the three months ended March 31, 2017 to ₱582 million in the three months ended March 31, 2018.

For the three months ended March 31, 2018, there were no seasonal aspects that had a material effect on the financial condition or results of operations of the Group. Neither were there any trends, events or uncertainties that have had or that are reasonably expected to have a material impact on the net sales or revenues or income from continuing operations. The Group is not aware of events that will cause a material change in the relationship between costs and revenues.

There are no significant elements of income or loss that did not arise from the Group's continuing operations.

Financial Condition as of March 31, 2018 vs. December 31, 2017

Total assets were ₱48,133 million as of March 31, 2018 and ₱45,330 million as of December 31, 2017. The 6% increase is due to the following:

- Cash decreased by 50% from ₱572 million as of December 31, 2017 to ₱ 288 million as of March 31, 2018 due primarily to construction of investment properties for the period.

- Trade and other receivables, including non-current portion increased by 18% from ₱6,825 million as of December 31, 2017 to ₱4,977 million as of March 31, 2018 mainly due to the increase in rental revenue for the period.

- Investment properties increased by 5% from ₱25,580 million as of December 31, 2017 to ₱26,817 million as of March 31, 2018 mainly due to the expansion of the Company's leasable properties..

- Property and equipment-net decreased by 8% from ₱52 million as of December 31, 2017 to ₱48 million as of March 31, 2018 mainly due to the depreciation for the period.

Total Liabilities as of March 31, 2018 were ₱26,932 million, 9% higher compared to ₱24,710 million as of December 31, 2017. This was due to the following:

- Trade and other payables increased by 63% from ₱1,917 million as of December 31, 2017 to ₱ 3,121 million as of March 31, 2018 due to higher trade payables for the period.

- Liability for land acquisition including current portion, decreased by 26% from ₱823 million as of December 31, 2017 to ₱611 million as of March 31, 2018 due to settlements for the period.

- Income tax payable increased by 100% from ₱38 million as of December 31, 2017 to ₱76 million as of March 31, 2018 due to higher tax for the period.

- Interest bearing loans and borrowings including current portion, decreased by 7% from ₱7,530 million as of December 31, 2017 to ₱7,021 million as of March 31, 2018 due to settlements for the period.

- Payables to related parties - net, increased by 14% from ₱6,991 million as of December 31, 2017 to ₱7,988 million as of March 31, 2018 due to advances made from related party for the period.

- Refundable deposits decreased by 64% from ₱175 million as of December 31, 2017 to ₱164 million as of March 31, 2018 due to application of payments from tenants for the period.

- Deferred tax liabilities - net increased by 10% from ₱1,530 million as of December 31, 2017 to ₱ 1,679 million as of March 31, 2018 due to additional temporary differences for the period.

Total stockholder's equity increased by 3% from ₱20,620 million as of December 31, 2017 to ₱21,201 million as of March 31, 2018 due to net income recorded for the period.

Top Five (5) Key Performance Indicators

Considered as the top five key performance indicators of the Group as shown below:

Key Performance Indicators	03/31/2018	12/31/2017
Current ratio [a]	0.84	0.87
Debt-to-equity ratio [b]	0.36	0.41
	03/31/2018	03/31/2017
Interest coverage ratio [c]	9.48	6.06
EBITDA margin [d]	73%	71%
Return on equity [e]	11.04%	10.48%

Notes:

(a) *Current Ratio: This ratio is obtained by dividing the Current Assets of the Company by its Current liabilities. This ratio is used as a test of the Company's liquidity.*

(b) *Debt-to-equity ratio: This ratio is obtained by dividing the Company's Total Interest-bearing Debt by its Total Equity. The ratio reveals the proportion of debt and equity a company is using to finance its business. It also measures a company's borrowing capacity.*

(c) *Interest coverage: This ratio is obtained by dividing earnings before interest, taxes depreciation and amortization (EBITDA) by the interest expense. This ratio shows whether a company is earning enough profits before interest to pay its interest cost comfortably.*

(d) *Earnings before interest, income taxes, depreciation and amortization (EBITDA) margin: This ratio is obtained by dividing the Company's Earnings before interest, income taxes, depreciation and amortization by the total revenue. This measures the Company's operating profitability.*

(e) *Return on equity: This ratio is obtained by dividing the Company's net income (net of income from acquisition of subsidiary) by its total equity. This measures the rate of return on the ownership interest of the Company's stockholders.*

Because there are various calculation methods for the performance indicators above, the Company's presentation of such may not be comparable to similarly titled measures used by other companies.

Current Ratio as of March 31, 2018 decreased from that of December 31, 2017 due to a higher increase in the current liabilities coming from payables to related parties.

Debt to equity ratio as of March 31, 2018 decreased from that of December 31, 2017 due to settlement of debt for the period.

Interest coverage for the period ended March 31, 2018 increased because of the decrease in interest expense for the 3-months of 2017 and the significant increase in the company's EBITDA.

EBITDA margin for the period ended March 31, 2018 increased because of the increase in revenue due to expansion of the Company's leasable properties.

Return on equity increased as a result of improvement in net income for the period.

Material Changes to the Company's Statement of Financial Position as of March 31, 2018 compared to December 31, 2017 (increase/decrease of 5% or more)

Cash decreased by 50% from ₱572 million as of December 31, 2017 to ₱ 288 million as of March 31, 2018 due primarily to construction of investment properties for the period.

Trade and other receivables, including non-current portion increased by 18% from ₱6,825 million as of December 31, 2017 to ₱4,977 million as of March 31, 2018 mainly due to the increase in rental revenue for the period.

Investment properties increased by 5% from ₱25,580 million as of December 31, 2017 to ₱26,817 million as of March 31, 2018 mainly due to the expansion of the Company's leasable properties..

Property and equipment-net, decreased by 8% from ₱52 million as of December 31, 2017 to ₱48 million as of March 31, 2018 mainly due to the depreciation for the period.

Trade and other payables increased by 63% from ₱1,917 million as of December 31, 2017 to ₱ 3,121 million as of March 31, 2018 due to higher trade payables for the period.

Liability for land acquisition including current portion, decreased by 26% from ₱823 million as of December 31, 2017 to ₱611 million as of March 31, 2018 due to settlements for the period.

Income tax payable increased by 100% from ₱38 million as of December 31, 2017 to ₱76 million as of March 31, 2018 due to higher tax for the period.

Interest bearing loans and borrowings including current portion, decreased by 7% from ₱7,530 million as of December 31, 2017 to ₱7,021 million as of March 31, 2018 due to settlements for the period.

Payables to related parties - net, increased by 14% from ₱6,991 million as of December 31, 2017 to ₱7,988 million as of March 31, 2018 due to advances made from related party for the period.

Refundable deposits decreased by 64% from ₱175 million as of December 31, 2017 to ₱164 million as of March 31, 2018 due to application of payments from tenants for the period.

Deferred tax liabilities - net increased by 10% from ₱1,530 million as of December 31, 2017 to ₱ 1,679 million as of March 31, 2018 due to additional temporary differences for the period.

Material Changes to the Company's Statement of Comprehensive Income for the three months ended March 31, 2018 compared to the three months ended March 31, 2017 (increase/decrease of 5% or more)

Rental income increased by 13% from ₱ 1,219 million in the three months ended March 31, 2017 to ₱1,376 million in the period ended March 31, 2018. The increase was primarily attributable to the increase in occupancy and rental rates of the existing malls and additional gross floor area of the new commercial assets.

Other operating income decrease by 14% from ₱ 141 million in the three months ended March 31, 2017 to ₱121 million in the period ended March 31, 2018 due to the decrease in other operating income generated from the commercial assets.

Finance income decreased by 55% from ₱11 million in the three months ended March 31, 2017 to ₱ 5 million in the period ended March 31, 2018 due to the lower cash balance that yields interests for the period.

Finance costs decreased by 70% from ₱23 million in the period ended March 31, 2017 to ₱ 7 million in the period ended March 31, 2018 decrease due to a lower capitalization for the period as more investment properties have been completed.

Provision for tax increased by 18% from ₱ 212 million in the period ended March 31, 2017 to ₱ 251 million in the period ended March 31, 2018 due to the higher taxable income in the 3-months of 2017.

The Group's net income increased by 19% from ₱489 million in the three months ended March 31, 2017 to ₱582 million in the three months ended March 31, 2018.

There are no other material changes in the Company's financial position (changes of 5% or more) and condition that will warrant a more detailed discussion. Further, there are no material events and uncertainties known to management that would impact or change reported financial information and condition on the Company.

COMMITMENTS AND CONTINGENCIES

The Parent Company's subsidiaries are contingently liable for guarantees arising in the ordinary course of business, including surety bonds, letters of guarantee for performance and bonds for its entire real estate project.

The Company is contingently liable with respect to certain lawsuits and other claims which are being contested by the subsidiaries and their legal counsels. Management and their legal counsels believe that the final resolution of these claims will not have a material effect on the consolidated financial statements.

There are no known trends or demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in increasing or decreasing the Company's liquidity in any material way. The

Company sourced its capital requirements through a mix of internally generated cash, sale of liquid assets like installment contracts receivables, pre-selling and joint venture undertakings. The Company does not expect any material cash requirements beyond the normal course of the business. The Company is not in default or breach of any note, loan, lease or other indebtedness or financing arrangement requiring it to make payments.

There are no events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation except for those items disclosed in the 3-months of 2018 Financial Statements.

There are no material off-balance sheet transactions, arrangements, obligation (including contingent obligations), or other relationships of the Company with unconsolidated entities or other persons created during the reporting period except those disclosed in the 3-months of 2018 Financial Statements.

There are no material commitments for capital expenditures, events or uncertainties that have had or that are reasonably expected to have a material impact on the continuing operations of the Company.
There were no seasonal aspects that had a material effect on the financial condition or results of operations of the Company. There are no explanatory comments on the seasonality of the operations. There are no material events subsequent to the end of the fiscal period that have not been reflected in the financial statements.

There are no material amounts affecting assets, liabilities, equity, net income or cash flows that are unusual in nature; neither are there changes in estimates of amounts reported in a prior period of the current financial year.

PART II - OTHER INFORMATION

Item 3. 3-months of 2018 Developments

A. New Projects or Investments in another line of business or corporation.

None.

B. Composition of Board of Directors

Manuel B. Villar Jr.	Chairman of the Board
Benjamarie Therese N. Serrano	Director and President
Manuel Paolo A. Villar	Director
Camille A. Villar	Director
Adisorn Thananan-Narapool	Director
Joel L. Bodegon	Independent Director
Raul Juan N. Esteban	Independent Director

C. Performance of the corporation or result/progress of operations.

Please see unaudited Financial Statements and Management's Discussion and Analysis.

D. Declaration of Dividends.

P0.0368 per share Regular Cash Dividend
Declaration Date: September 27, 2017
Record date: October 12, 2017
Payment date: October 26, 2017

P0.0215 per share Regular Cash Dividend
Declaration Date: September 28, 2016
Record date: October 11, 2016
Payment date: October 26, 2016

E. Contracts of merger, consolidation or joint venture; contract of management, licensing, marketing, distributorship, technical assistance or similar agreements.

None.

F. Offering of rights, granting of Stock Options and corresponding plans therefore.

None.

G. Acquisition of additional mining claims or other capital assets or patents, formula, real estate.

None.

H. Other information, material events or happenings that may have affected or may affect market price of security.

None

I. Transferring of assets, except in normal course of business.

None.

<u>**Item 4. Other Notes as of the 3-months of 2018 Operations and Financials.**</u>

J. Nature and amount of items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size, or incidents.

None.

K. Nature and amount of changes in estimates of amounts reported in prior periods and their material effect in the current period.

There were no changes in estimates of amounts reported in prior interim period or prior financial years that have a material effect in the current interim period.

L. New financing through loans/ issuances, repurchases and repayments of debt and equity securities.

See Notes to Financial Statements and Management Discussion and Analysis.

M. Material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period.

None.

N. The effect of changes in the composition of the issuer during the interim period including business combinations, acquisition or disposal of subsidiaries and long term investments, restructurings, and discontinuing operations.

None.

O. Changes in contingent liabilities or contingent assets since the last annual balance sheet date.

None.

P. Existence of material contingencies and other material events or transactions during the interim period.

None.

Q. Events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.

None.

R. 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.

None.

S. Material commitments for capital expenditures, general purpose and expected sources of funds.

The movement of capital expenditures being contracted arose from the regular land development, commercial building construction and requirements which are well within the regular cash flow budget coming from internally generated funds.

T. Known trends, events or uncertainties that have had or that are reasonably expected to have impact on sales/revenues/income from continuing operations.

As of March 31, 2018, no known trends, events or uncertainties that are reasonably expected to have impact on sales/revenues/income from continuing operations except for those being disclosed in the first three months of 2017 financial statements.

U. Significant elements of income or loss that did not arise from continuing operations.

None.

V. Causes for any material change/s from period to period in one or more line items of the financial statements

None.

W. Seasonal aspects that had material effect on the financial condition or results of operations

None.

X. Disclosures not made under SEC Form 17-C.

None.

SIGNATURES

Pursuant to the requirements of Section 17 of the SRC and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized.

STARMALLS, INC.
Issuer

By:

CYNTHIA J. JAVAREZ
Chief Financial Officer & Treasurer

Date: May 15, 2018