COVER SHEET

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S.E.C. Registration Number

STARMALLS, INC. (FORMERLY: POLAR PROPERTY HOLDINGS CORP.

(Company's Full Name)

3RD LEVEL STARMALL LAS PIÑAS, CV STARR AVENUE, PHILAMLIFE VILLAGE, PAMPLONA, LAS PINAS CITY

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

Jo L. Ilijay
Contact Person

571-5948
Company Telephone Number

1 2 *Month* **3 1** *Day*
Calendar Year

17-A
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-A

ANNUAL REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SECTION 141 OF THE CORPORATION CODE OF THE PHILIPPINES

I.C.T.D. ELECTRONIC RECORDS AND MANAGEMENT DIVISION
APR 15 2014
RECEIVED SUBJECT TO REVIEW OF FORM AND CONTENTS
SEC

1. For the fiscal year ended **December 31, 2013**

2. SEC Identification Number **39587** 3. BIR Tax Identification No. **000-806-396-000**

4. Exact name of issuer as specified in its charter **STARMALLS, INC.**

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

6. [ ] (SEC Use Only)
Industry Classification Code:

7. **3rd Floor Starmall Las Piñas CV Starr Ave. Philamlife Village Pamplona, Las Piñas City**
Address of principal office

1746
Postal Code

8. **(632) 571-5948 / (632) 571-5949**
Issuer's telephone number, including area code

9. **Las Piñas Business Center, National Road, Talon, Las Piñas City**
Former name, former address, and former fiscal year, if changed since last report.

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

Title of Each Class	Number of Shares of Common Stock Outstanding
Common stock	**8,425,981,155 shares**
Preferred stock	**2,350,000,000 shares**

11. Are any or all of these securities listed on a Stock Exchange?

Yes [x] No [ ]

Name of Stock Exchange: **Philippine Stock Exchange**
Class of securities listed: **Common Stocks**

7,682,687,828 Common shares are listed with the Philippine Stock Exchange as of December 31, 2013

12. Check whether the issuer:

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

Yes [x] No [ ]

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

Yes [**x**] No [ ]

13. Aggregate market value of voting stocks held by non-affiliates:

₱ 3.9 Billion as of December 31, 2013

APPLICABLE ONLY TO ISSUERS INVOLVED IN INSOLVENCY/SUSPENSION OF PAYMENTS PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

14. Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the Commission.

Yes [ ] No [x] **NOT APPLICABLE**

DOCUMENTS INCORPORATED BY REFERENCE

15. Briefly describe documents incorporated by reference and identify the part of SEC Form 17-A into which the document is incorporated:

Consolidated Financial Statements as of and for the year ended December 31, 2013 (incorporated as reference for Items 7 and 12 of SEC Form 17-A)

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PART I – BUSINESS

Item 1. Business

Overview

Starmalls Inc. (STR, formerly Polar Property Holdings Corp.) was incorporated in Metro Manila, Philippines, on October 16, 1969 originally to pursue mineral exploration. After obtaining SEC approval in 2004, the Company changed its primary business and is now presently engaged in investment, and real estate and leasing business.

On May 14, 2012, the Company's BOD authorized the change in name of the Company from Polar Property Holdings Corp. to Starmalls, Inc. THE SEC approved the Company's application for the change in corporate name on June 22, 2012.

The Company's subsidiaries include the following:

- ***Brittany Estates Corporation (BEC)*****.** BEC is engaged in developing and selling real estate properties, particularly residential house and lots;
- ***Masterpiece Asia Properties Inc. (MAPI)****.* MAPI is currently in the operations and development of commercial properties for lease.
- ***Manuela Corporation (MC)****.* MC is currently in the operations and development of commercial properties for lease.

The Company and its subsidiaries are hereinafter collectively referred to as the Group. All subsidiaries were incorporated in the Philippines.

The Company's principal place of business is at the 3rd Floor Starmall Las Piñas, CV Starr Avenue, Philamlife Village, Pamplona, Las Piñas City.

Recent Developments

As of December 31, 2013 and 2012, the Company has equity interests in the following entities:

Subsidiaries / Associate	Explanatory Notes	Percentage of Ownership 2013	Percentage of Ownership 2012
Subsidiaries:			
Brittany Estates Corp. (BEC)		**100.0%**	100.0%
Masterpiece Asia Properties, Inc. (MAPI)		**100.0%**	100.0%
Manuela Corporation (MC)	*(a)*	**98.4%**	98.4%
Associate -			
Vista Land & Lifescapes, Inc. (VLL)	*(b)*	**-**	4.7%

(a) Acquired in June 2012 through share swap.
(b) Sold in May 2013 through share swap.

On June 22, 2012, the Company increased its authorized capital stock from P5.5 billion to P17.0 billion. The Company also completed a series of transactions for the purpose of acquiring Manuela Corporation as a subsidiary and changed its name to Starmalls, Inc. This has enabled the STR to effectively consolidate its resources, businesses and operations with MC to create a strong consolidated entity that will pursue mall and BPO office development and operations in the country.

Despite the 4.7% ownership over VLL as of December 31, 2012, the Company considers VLL as an associate due to the presence of significant influence but not control over VLL's operations since one of the Company's Board of Directors is also a director of VLL. In May 2013, the Company sold its 378,100,000 shares of its investment in VLL, hence, it ceased to be an associate as of December 31, 2013.

Description of the Business of the Registrant and its Subsidiaries

The Company and its subsidiaries are incorporated in the Philippines. BEC is primarily engaged in the development and sale of real estate properties, and MAPI and MC are in the commercial property development and operations.

Products

MAPI and MC combined have five (5) malls and one (1) corporate building namely: Starmall Las Pinas, Starmall Las Pinas Annex, Starmall EDSA-Shaw, Starmall Alabang, Starmall San Jose del Monte and Worldwide Corporate Center. The malls house various retail establishments and the corporate building caters to the office space needs of the business process outsourcing companies.

In 2013, the group started the construction of one (1) corporate building in EDSA, Mandaluyong City and three (3) malls in Taguig City, Talisay City in Cebu and the City of Bacoor in Cavite.

BEC's product is the Island Park subdivision in Dasmariñas, Cavite which mainly caters to the middle to higher income segment of the market. Its house and lot package ranges from P4.0 million to P10 million, while its lot only packages ranges from P1.5 million to P5.0 million.

Distribution Methods of Products

Leasing of commercial and office space is done by the Company's leasing team. The internal team is augmented by major international property companies for the sourcing of prospective tenants for BPO office spaces.

Houses and lots are principally sold through a network of brokers and in-house marketing subsidiaries that in turn use agents or property consultants to introduce the Company's products to potential buyers. The selling network earns commissions and other incentives on every sale or quota of sales that passes the requirements.

Patents, Trademarks, Copyrights, Licenses, Franchises, Concessions and Royalty Agreements Held

The Company has registered with the Intellectual Property Office the trademark "Starmalls".

Development of the business of the registrant and its key operating subsidiaries or affiliates

Starmalls Inc. – parent company was incorporated on October 16, 1969 and presently engaged in investment and real estate business.

Brittany Estates Corporation – incorporated in May 8, 1996, 100.00% owned by STR, offers residential house and lots. The company's development project is known as Island Park located in Dasmariñas, Cavite.

Masterpiece Asia Properties Inc. – incorporated in October 4, 2001 and is wholly owned by STR. The Company's mall development is known as Starmall San Jose del Monte in Bulacan. In 2013, it started the construction of one (1) corporate building in EDSA, Mandaluyong City and three (3) malls in Taguig City, Talisay City in Cebu and the City of Bacoor in Cavite.

Manuela Corporation – incorporated in February 22, 1972 and is 98.36% wholly owned by STR. The Company's mall developments are Starmall Las Pinas, Starmall Las Pinas Annex, Starmall EDSA-Shaw and Starmall Alabang. Its corporate building is known as the Worldwide Corporate Center. In 2013, it started the redevelopment of Starmall EDSA-Shaw and Starmall Alabang.

The Company virtually conducts all of its operations through its subsidiaries.

The Company's subsidiaries are involved in the acquisition of undeveloped land, the planning and design of developments, the securing of regulatory approvals for development and sale or lease, the supervision of land development and construction and the marketing and selling/leasing of it products.

Bankruptcy, Receivership or Similar Proceeding

As of December 31, 2013, there is no bankruptcy, receivership or similar proceedings involving the Group.

Material Reclassification, Merger, Consolidation or Purchase or Sale of a Significant Amount of Assets (not ordinary) over the past three years

In June 2012, the Securities and Exchange Commission approved the approved the increase in the authorized capital stock of the Company from Five Billion Five Hundred Million Pesos (Php5,500,000,000.00) divided into Five Billion Five Hundred Million (5,500,000,000) common shares with par value of One Peso (PhP1.00) per share to Seventeen Billion Pesos (PhP17,000,000,000.00) divided into Sixteen Billion Nine Hundred Million (16,900,000,000) common shares with par value of One Peso (PhP1.00) per share and Ten Billion (10,000,000,000) voting, cumulative, non-participating, non-convertible and non-redeemable preferred shares with par value of One Centavo (PhP0.01) per share and the issuance of shares out of the aforementioned increase in authorized capital stock to the Hero Holdings Corp., Land & Houses Public Company Limited, Manuel B. Villar Jr., Manuel Paolo A. Villar and Mark A. Villar in exchange for 98.36% share in Manuela Corporation ("MC).

In July 2012, the Company issued Two Billion Three Hundred Fifty Million (2,350,000,000) preferred shares to Fine Properties, Inc.

In September 2012, the Company sold 378.1 million shares of its investment in VLL thereby decreasing the percentage of ownership from 9.1% to 4.7%.

In May 2013, the Company sold its 378,100,000 shares of its investment in VLL, hence, it ceased to be an associate as of December 31, 2013.

Various diversification/ new product lines introduced by the Company during the last three years

In April 2012, MAPI opened its first mall development in what is known as Starmall San Jose Del Monte in Bulacan. In 2013, it started the construction of one (1) corporate building in EDSA, Mandaluyong City and three (3) malls in Taguig City, Talisay City in Cebu and the City of Bacoor in Cavite.

After its acquisition of Manuela Corporation in June 2012, the Company increased its mall portfolio to include Starmall Las Pinas, Starmall Las Pinas Annex, Starmall EDSA-Shaw and Starmall Alabang and a corporate building, Worldwide Corporate Center.

Competition

Our shopping malls compete with other shopping malls in the geographic areas in which they operate. The other major shopping mall operators in the Mega Manila are Robinsons, SM and Ayala. We believe that we are well-positioned to face increased competition in the shopping mall industry given the competitive advantages we have including, among other things, the location of our existing shopping malls, the land bank of the Company and its affiliates, our balance sheet strength, a successful tenant mix and selection criteria and our strategic partnership with the Villar Family Companies. Our experience and understanding of the retail industry has also been a contributing factor to our competitive advantage in the industry.

WCC competes with other BPO commercial centers and office buildings in the geographic area in which it operates. The major BPO office building commercial center developers in Metro Manila are Ayala Land, Robinsons Land, Megaworld and Filinvest Land. These developers have undertaken mixed-use residential, office and commercial developments in and around the major CBDs in Metro Manila as well as in key provincial cities. Apart from these real estate companies, there are many other independent developers in Metro Manila who have undertaken construction of new BPO buildings or conversion of existing buildings into BPO facilities in anticipation of a growing demand for BPO office spaces. We believe that we are well-positioned to face increased competition in the BPO commercial development given the competitive advantages we have including, among other things, the strategic location of our existing BPO commercial center, our strong and stable partnership with our existing BPO tenants and our expertise in flexible build-out arrangements to suit the requirements of our BPO tenants. Our experience and understanding of the BPO industry has also been a contributing factor to our competitive advantage in the industry

Suppliers

Site development and construction work is contracted out to various qualified and accredited independent contractors. For larger projects, such as major repair or construction work, contracts are awarded on the basis of competitive bidding. For operational repairs and maintenance projects, we hire contractors without a competitive process based on our previous experience with the contractor. In all cases, our accreditation procedure takes into consideration each contractor's experience, financial capability, resources and track record of adhering to quality, cost and time of completion commitments. We maintain relationships with various accredited independent contractors and deal with each of them on an arm's length basis. We are not and do not expect to be dependent upon one or a limited number of suppliers or contractors.

Dependence on a Few Major Customers

The target customer segment of the commercial leasing business consists of broad C retail consumers. We believe that our shopping malls address the needs and aspirations of our target customers through our wide selection of retail outlets, supermarkets and department stores, together with other attractions, such as food courts, cinemas and other entertainment facilities. We attract local chains and franchises, to satisfy the preferences of our target customers.

The management team also took a proactive approach towards managing the tenant mix at its existing assets to ensure optimal alignment with the needs of its target market, including removing and replacing delinquent tenants with tenants that provide more suitable retail concepts and offerings and reorganizing mall layouts to address customers' needs as well as increasing the efficiency of available leasable area.

The remaining house and lot business is not dependent on repeat business from customers. The Company has a broad market base including local and foreign buyers.

Transactions with related parties

The Company and its subsidiaries, in their ordinary course of business, engage in significant commercial transactions with certain companies controlled by the Villar Family, including the Villar Family Companies and their respective subsidiaries. We have signed a memorandum of agreement with certain subsidiaries of Vista Land under which we have been granted a right of first refusal and right of first offer in respect of certain commercial properties he by such VLL subsidiaries.

The Company's policy with respect to related party transactions is to ensure that these transactions are entered into on terms that are comparable to those available from unrelated third-parties.

Government approvals

The Company secures various government approvals such as license to sell, development permits, environmental compliance certificate, etc. as part of the normal course of its business.

The Company has no principal product that has pending government approval as of December 31, 2013.

Effect of Existing or Probable Governmental Regulations

By the nature of its business, the Company's subsidiaries are subject to governmental regulations on its land development and marketing activities, which includes, among others, zoning and environmental laws, development permit and license to sell regulations. The Company's subsidiaries comply with the said regulations in the regular conduct of its business operations.

As of December 31, 2013, the Company is not aware of any existing or probable governmental regulations that will have an effect on the Company's business operations.

Compliance With Environmental Laws

Prior to any land development activity, the subsidiaries of the Company secure the requisite environmental permits, including environmental compliance certificate, from the appropriate government agencies.

Costs and Effects of Compliance with Environmental Laws

The subsidiaries of the Company pay such amount as may be imposed by the appropriate government agencies for the procurement of all necessary environmental permits prior to commencement of any development project. The costs are generally minimal and vary from time to time.

Unless pertinent environmental laws are complied with, and requisite permits are secured, the Company's subsidiaries cannot and do not proceed with its projects.

Research and Development Costs

Research and development activities, such as market research, training and contractor's development programs, are treated as normal operating expense. For 2013, the amount that the Company spent for research and development is minimal and does not constitute a significant percentage of the Company's revenues.

Employees

As of December 31, 2013, the Company, through its subsidiaries, had a total of **128** employees. This is broken down by function as follows:

Function	Number of employees
Operations	43
Administrative	68
Technical	17
Total	**128**

The Company has no collective bargaining agreements with its employees and none of the Company's employees belong to a union. In addition to the regular remuneration packages being given by the Company, it also adopts a performance-based incentive scheme to employees holding strategic positions, such as foreign travel grants. The Company has no employee stock option plan.

Risks related to the Companies Business

Each of the businesses of the Company and its Subsidiaries would inevitably involve some risks factors such as:

- Competition;
- Socio-economic conditions of the country;
- Effect of the changes in global economy;
- Foreign exchange devaluation;
- Changes in the country's political and economic situation;
- Inflation of prices affecting the cost and expenses;
- Reforms in the applicable rules and regulations affecting the Philippine Real Estate industry; and
- Changes in Philippine and International interest rates, with respect to the Company's borrowings.

To mitigate the aforementioned risks, the Company shall continue to adopt prudence in financial management and discipline in the area of operational controls, policies and procedures. With respect to competitive pressures among the industry players, the Company shall continue to compete through project concept, quality, affordability, and location of projects.

Item 2. Properties

Details of the Company's properties as of December 31, 2013 are set out in the table below:

LAND

Location	Owner	Use
Valenzuela City	STR	Land bank
Bacoor, Cavite	MAPI	Land Bank/ Mall
Mandaluyong City	MAPI	Office Building
San Jose del Monte, Bulacan	MAPI	Mall
Dasmariñas, Cavite	BEC	Residential
Dasmariñas, Cavite	MC	Residential
Alabang, Muntinlupa	MC	Mall
EDSA-Shaw	MC	Mall
Las Piñas City	MC	Mall

BUILDING AND IMPROVEMENTS

Location	Owner	Use
San Jose del Monte, Bulacan	MAPI	Mall
Alabang, Muntinlupa	MC	Mall
EDSA-Shaw	MC	Mall
Las Piñas City	MC	Mall
EDSA-Shaw	MC	Office Building

As of December 31, 2013, investment properties with fair value of ₱3.2 billion were used to secure the bank loans of MAPI and MC (see Note 15 of the 2013 Audited Financial Statements).

Item 3. Legal Proceedings

The Group is currently involved in litigation over a portion of the land in Molino, Bacoor, Cavite (the "Bacoor Property"). The land involved is comprised of approximately 117,480 square meters and is registered in the name of MAPI. The case is an administrative action pending before the Land Management Bureau, the government agency responsible for administering disposable land in the Philippines. The plaintiffs claim to be the heirs of the rightful owner of the Bacoor Property and dispute the authenticity of MAPI's title; however, the plaintiffs do not possess a certificate of title over the property. A civil case based on a similar cause of action has been dismissed by the Regional Trial Court of Bacoor. MAPI continues to defend itself against the claim.

The rehabilitation of Manuela was terminated on January 25, 2012. The final report and accounting has been completed and the rehabilitation proceedings have been terminated on November 29, 2013.

We are subject to various civil lawsuits and legal actions arising in the ordinary course of our business. Typical cases include adverse claims regarding the title to parcels of land. In the Group's opinion, none of the lawsuits or legal actions to which we are currently subject will materially affect the daily operations of our business or have a material adverse effect on our consolidated financial position and results of operations.

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

Except for matters taken up during the Annual Stockholders Meeting, there was no other matter submitted to a vote of security holders during the period covered by this report.

PART II – OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Issuer's Common Equity and Related Stockholders Matters

Market Information

The Company's common shares are being traded at the Philippine Stock Exchange. The high and low sales prices for each quarter within the last two fiscal years as traded on the Philippine Stock Exchange are as follows:

Quarter	2014		2013		2012	
	High	Low	High	Low	High	Low
1st	3.56	3.39	4.09	3.51	3.67	2.32
2nd			4.05	3.70	4.45	3.14
3rd			3.95	3.70	4.50	3.78
4th			3.75	3.40	4.00	3.55

The market capitalization of STR as of December 31, 2013, based on the closing price of ₱3.62/share, was approximately ₱30.5 billion.

As of March 31, 2014, STR's market capitalization stood at ₱29.6 billion based on the ₱3.51 per share closing price.

Price Information as of the Latest Practicable Trading Date

Trading Date	High	Low
10 April 2014	3.84	3.80

Stockholders

There are approximately 446 holders of common equity security of the Company as of December 31, 2013 (based on the number of accounts registered with the Stock Transfer Agent).

The following are the top 20 holders of the common securities of the Company:

	Stockholders Name	No. of Common Shares	Percentage (of Common Shares)[1]
1.	Fine Properties, Inc.[2]	3,065,076,761	36.3764%
2.	Althorp Holdings Inc.[3]	1,964,253,434	23.3118%
3.	Manuela Corporation	1,223,102,790	14.5158%
4.	Land & Houses Public Company Limited	808,431,465	9.5945%
5.	Manuel B. Villar Jr.	728,900,022	8.6506%
6.	Manuel Paolo A. Villar	361,944,243	4.2955%
7.	Mark A. Villar	232,015,541	2.7535%
8.	PCD Nominee Corporation (Filipino)	34,372,159	0.4079%
9.	Peter O. Tan	1,798,000	0.0213%
10.	PCD Nominee Corporation (Foreign)	1,757,003	0.0208%

11.	Peter Tan &/Or Marilou Tan	1,524,000	0.0180%
12.	Campos, Lanuza & Co., Inc.	210,000	0.0024%
13.	Ching Kuan Lim	150,000	0.0017%
14.	Arthur Winikoff Fao OBMVM	120,000	0.0014%
15.	Orion-Squire Capital, Inc.	82,000	0.0009%
16.	Orion-Squire Sec., Inc.	77,900	0.0009%
17.	Cua, Ang & Chua Securities Inc.	66,000	0.0007%
18.	Dees Securities Corp.	60,715	0.0007%
19.	Paic Securities Corporation	60,400	0.0007%
20.	Tansengco & Co., Inc.	56,000	0.0006%
		8,424,058,433	**99.9761%**

[1] *based on the total shares issued of 8,425,981,155*
[2] *Includes shares owned by Adelfa Properties, Inc. which has been merged with Fine Properties, Inc. in March 2010*
[3] *Includes shares owned by Hero Holdings Inc. and Vitale Properties & Holdings Corp. which have been merged with Althorp Holdings Inc. in December 2012*

Dividends

The Company did not declare any dividends in 2012, 2011 and 2010. The payment of dividends will be dependent on the Company's profits, capital expenditures and investment requirement. There are no restrictions that limit the ability of the Company to pay dividends on common equity other than the above mentioned conditions.

Recent Sale of Unregistered Securities

There have been no sales of unregistered securities in the past three years.

Stock Options

None

Item 6. Management's Discussion and Analysis or Plan of Operation

REVIEW OF YEAR END 2013 VS YEAR END 2012

RESULTS OF OPERATIONS

Revenues

Rental Revenue
Rental revenue increased from ₱1.2 billion in the year ended December 31, 2012 to ₱1.3 billion in the year ended December 31, 2013. The 6% increase was due to the increase in occupancy of Starmall Las Pinas, Starmall EDSA-Shaw, Starmall Alabang, Starmall San Jose del Monte and Worldwide Corporate Center.

Common Usage and Service Area Charges
Common usage and service area (CUSA) charges increased from ₱76.0 million in the year ended December 31, 2012 to ₱168.9 million in the year ended December 31, 2011. The 122% increase was due to increase in occupancy and CUSA charged to tenants of Starmall Las Pinas, Starmall EDSA-Shaw, Starmall Alabang, Starmall San Jose del Monte and Worldwide Corporate Center.

Parking Fees
Parking fee revenue increased from ₱30.8 million in the year ended December 31, 2013 to ₱36.7 million in the year ended December 31, 2013. The 19% increase was due to the increase in parking rates, improvement of parking system and increase occupancy in the existing malls and corporate office building.

Real Estate Sales
The Company recorded real estate sales of ₱19.5 million in the year ended December 31, 2013 in Brittany's Island Park project in Dasmariñas, Cavite.

Other operating income
Other operating income increased from ₱128.0 million in the year ended December 31, 2012 to ₱95.7 million in the year ended December 31, 2013. The 25% decrease was due to decline in other operating income such as realized gross profit on real estate sales, and lower penalties charged to tenants due to improved collection. There was also a one-time gain on derecognition of liabilities in 2012.

Equity in Net Earnings of an Associate
Equity in net earnings of an associate decreased from ₱344.6 million in the year ended December 31, 2012 to ₱113.9 million in the year ended December 31, 2013. The 67% decrease was due to disposal of remaining 4.1% shareholdings in VLL in May 2013.

Finance Income
Finance income increased from ₱17.1 million in the year ended December 31, 2012 to ₱21.5 million in the year ended December 31, 2013. The healthy cash balance resulting from improved revenues and collections increased in savings and time deposit accounts.

Income from Acquisition of a Subsidiary
The Group recorded a one-time gain in 2012 as a result of the negative goodwill amounting to ₱9.3 billion, representing the excess of the Company's share in the fair value of the identifiable net assets of Manuela at the date of the transaction over acquisition cost. This was recognized directly in profit or loss in the 2012 consolidated statement of comprehensive income under Other Income (Charges) as Income from acquisition of a subsidiary.

Gain (Loss) from Disposal of an Investment in an Associate
In the period July-August 2012, the Company sold 378.1 million shares of its investment in VLL, with a carrying amount of ₱1.57 billion for a total consideration of ₱1.54 million. The Group recognized a loss from this transaction amounting to ₱35.2 million. In May 2013, the Company sold its remaining shares of investment in VLL with a carrying amount of ₱1.79 billion for a total consideration of ₱2.79 billion and recognizing a gain of ₱993.9 million.

<u>Costs and Expenses</u>

Operating Expenses
Cost and expenses increased from ₱977.4 million in the year ended December 31, 2012 to ₱1,141.3 million in the year ended December 31, 2013. The 17% increase in the account was primarily attributable to the following:

- Increase in depreciation and amortization by 30% from ₽443.6 million in the year ended December 31, 2012 to ₽578.5 million in the year ended December 31, 2013 due to additional depreciation from new or refurbished mall equipment and the full year depreciation on the fair value adjustment on the properties owned by Manuela Corp during the consolidation in 2012.

- Increase in service fees by 20% from ₽118.4 in the year ended December 31, 2012 to ₽142.4 million in the year ended December 31, 2013 due to the increase in manpower and agency fees for the operations of the malls and office building.

- Increase in salaries and employee benefits by 8% from ₽92.3 million in the year ended December 31, 2012 to ₽100.0 million in the year ended December 31, 2013 due to the increase in manpower for the operations and management of the existing malls and office building and the construction and development of new projects of the Group.

- Increase in rentals by 9% from ₽69.0 million in the year ended December 31, 2012 to ₽75.4 million in the year ended December 31, 2013 due to the increase in rental payments for the parcel of land in which the Worldwide Corporate Center is located.

- Increase in taxes and licenses by 26% from ₽54.9 million in the year ended December 31, 2012 to ₽69.2 million in the year ended December 31, 2013 due to the stock transaction tax for the sale of VLL shares, payment of real property taxes of the various investment properties, and business permits and other licenses for the operations of the malls and the corporate building.

- Increase in repairs and maintenance by 10% from ₽33.3 million in the year ended December 31, 2012 to ₽36.6 million in the year ended December 31, 2013 due to the repairs made to various equipment of the older malls and WCC building.

- Increase in light and power by 99% from ₽17.0 million in the year ended December 31, 2012 to ₽33.7 million in the year ended December 31, 2013 due to the increase in consumption and rate of utilities.

- Decrease in advertising and promotion by 11% from ₽20.6 million in the year ended December 31, 2012 to ₽18.3 million in the year ended December 31, 2013 due to cost efficiencies done for marketing, advertising and promotions for the malls.

- Increase in insurance expense by 32% from ₽13.1 million in the year ended December 31, 2011 to ₽17.2 million in the year ended December 31, 2013 due to the increase in insurance premiums paid for additional malls, equipment and service vehicles used in operations.

- Decrease in professional fees by 53% from ₽36.5 million in the year ended December 31, 2012 to ₽17.2 million in the year ended December 31, 2013 as a result of decrease in number of consultants in 2013.

- Cost of real estate sales increased by 100% from nil in the year ended December 31, 2012 to ₽11.6 million in the year ended December 31, 2013 due to real estate sales made by BEC in its Island Park project in 2013.

- Decrease in other operating expenses by 48% from ₽78.7 million in the year ended December 31, 2012 to ₽41.1 million in the year ended December 31, 2013 due to the decrease in various expenses such as rehabilitation and communication expenses and the non-incurrence of impairment loss on investment property in 2013.

Interest and Financing Charges
Interest and financing charges decreased by 8% from ₱33.0 million in the year ended December 31, 2012 to ₱30.4 million in the year ended December 31, 2013. This was due capitalization of interest on loans made for the re-development of Starmall EDSA, Starmall Alabang, and Starmall San Jose del Monte and the construction of the new projects of the group.

Other Charges
Other charges decreased by 97% from ₱55.5 in the year ended December 31, 2012 to ₱1.6 million in the year ended December 31, 2013. This was due non-recurrence of various expenses incurred by the group in 2012 in relation to the issuance of additional shares and the company's future plans of offering additional shares to the public.

Provision for Income Tax

Tax expense for the year ended December 31, 2013 is ₱195.6 million and decreased by 19% from ₱241.4 million for the year ended December 31, 2012. This is due to the net effect of the tax payments made and accrued for capital gains tax, stock transaction taxes, regular income tax, minimum corporate income tax and final taxes on deposits.

Net Income

As a result of the foregoing, the Company's comprehensive income increased from ₱9.8 billion in the year ended December 31, 2012 to ₱1.3 billion in the year ended December 31, 2013.

For the year ended December 31, 2013, there were no seasonal aspects that had a material effect on the financial condition or results of operations of the Company. 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 Company is not aware of events that will cause a material change in the relationship between the costs and revenues.

FINANCIAL CONDITION

As of December 31, 2013 vs. December 31, 2012

Total assets as of December 31, 2012 were ₱21.7 billion compared to ₱24.3 billion as of December 31, 2013, or a 12% increase. This was due to the following:

- Cash and cash equivalents including short term cash investments increased by 25% from ₱1.5 billion as of December 31, 2012 to ₱1.1 billion as of December 31, 2012 as a result of loans availed for construction and improved revenues.

- Net Receivables increased by 34% from ₱630.3 million as of December 31, 2012 to ₱846.0 million as of December 31, 2013 mainly due increase in receivables from tenants as a consequence of improved mall and BPO office occupancy.

- Due from related parties increased by 822% from ₱335.2 million as of December 31, 2012 to ₱3.1 billion as of December 31, 2013 primarily due to receivables from the sale of VLL shares which is payable annually up to 2019 and bears interest at a fixed annual rate of 4%.

- Available for sale financial assets increased by 3,008% from ₱29.2 million as of December 31, 2012 to ₱906.2 million as of December 31, 2013 due mainly to the various investments made in debt and equity securities.

- Prepayments and other current assets increased by 65% from ₱454.0 million as of December 31, 2012 to ₱747.6 million as of December 31, 2013 due mainly to the increase in increase in input taxes and creditable withholding taxes, advances to contractors and debt reserve fund.

- Investment in associate decreased by 100% from ₱1.68 billion as of December 31, 2012 to nil as of December 31, 2013 due to the disposal of remaining VLL shares in 2013.
- Property and equipment increased by 33% from ₱239.4 million as of December 31, 2012 to ₱318.5 million as of December 31, 2013 due refurbishment of cooling system of Starmall Bulacan and Starmall Alabang.

- Investment properties increased by 2% from ₱16.0 billion as of December 31, 2012 to ₱16.4 billion as of December 31, 2013. The increase was due to purchase of various properties to be used for commercial development and the construction and development of new projects.

- Other non-current assets increased by 12% from ₱107.4 million as of December 31, 2012 to ₱119.8 million as of December 31, 2012 due to the increase in refundable deposits.

Total liabilities as of December 31, 2012 were ₱2.5 billion compared to ₱3.8 billion as of December 31, 2013, or a 50% increase. This was due to the following:

- Liability for land acquisition decreased by 14% from ₱45.7 million as of December 31, 2012 from ₱39.5 million as of December 31, 2012 due to the payments made for the land in San Jose del Monte, Bulacan.

- Interest bearing loans and borrowings increased by 135% from ₱752.8 million as of December 31, 2012 from ₱1.8 billion as of December 31, 2013 due to the additional interest bearing loans obtained in 2013.

- Accounts and other payables increased by 20% from ₱832.9 million as of December 31, 2012 to ₱991.2 million as of December 31, 2013 due mainly to the increase in accounts payable to suppliers and contractors for the construction and development of new projects.

- Due to related parties decreased by 6% from ₱270.0 million as of December 31, 2012 to ₱254.8 million as of December 31, 2013 to payments made to affiliates in 2013.

- Income tax payable increased by 35% from ₱30.9 million as of December 31, 2012 to ₱41.8 million as of December 31, 2013 to due to the income tax payable of MC.

- Other current liabilities increased by 87% from ₱13.4 million as of December 31, 2012 to ₱25.1 million as of December 31, 2013 to due to the increase in customer advances and deposits.

- Retirement benefit obligation increased by 39% from ₱26.8 million as of December 31, 2012 to ₱37.4 million as of December 31, 2013 due to increased headcount and actuarial adjustments.

- Deferred gross profit decreased by 27% from ₱38.2 million as of December 31, 2012 to ₱27.7 million as of December 31, 2013 due to the recognition of deferred gross profit on the real estate sales of MC.

- Deferred tax liabilities posted an increase of 138% from ₱41.3 million as of December 31, 2012 to ₱98.2 million as of December 31, 2013. The difference is due to the increased in temporary tax differences of MAPI and MC.

- Other non-current liabilities increased by 3% from ₱441.7 million as of December 31, 2012 to ₱455.0 million as of December 31, 2013 due to the increase in security deposits from tenants of the existing malls and corporate building.

Total stockholder's equity increased from ₱19.2 billion as of December 31, 2012 to ₱20.5 billion as of December 31, 2013 to due to the earnings for the year.

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

Key Performance Indicators	12/31/2013	12/31/2012
Current ratio [a]	3.25:1	2.82:1
Debt-to-equity ratio [b]	0.19:1	0.13:1
Interest coverage [c]	33.7	27.1
Return on assets [d]	5.2%	2.0%
Return on equity [e]	6.2%	2.2%

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 Liabilities 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) Return on assets: This ratio is obtained by dividing the Company s net income (net of income from acquisition of subsidiary) by its total assets. This measures the Company s earnings in relation to all of the resources it had at its disposal.

(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 December 31, 2013 decreased from that of December 31, 2012 due to the increased loans and borrowings.

The increase in debt-to-equity ratio was due to the increase in interest-bearing loans and accounts payable.

Interest coverage for the year ended December 31, 2013 increased because of the improved EBITDA of the Group in 2013.

Return on asset increased as of December 31, 2013 compared to that as of December 31, 2012 due to higher income in 2013.

Return on equity is increased as a result of higher income made in 2013.

Material Changes to the Company's Balance Sheet as of December 31, 2013 compared to December 31, 2012 (increase/decrease of 5% or more)

Cash and cash equivalents including short term cash investments increased by 25% from ₱1.5 billion as of December 31, 2012 to ₱1.1 billion as of December 31, 2012 as a result of loans for construction and improved revenues.

Net Receivables increased by 34% from ₱630.3 million as of December 31, 2012 to ₱846.0 million as of December 31, 2013 mainly due increase in receivables from tenants as a consequence of improved mall and BPO office occupancy.

Due from related parties increased by 822% from ₱335.2 million as of December 31, 2012 to ₱3.1 billion as of December 31, 2013 primarily due to receivables from the sale of VLL shares which is payable annually up to 2019 and bears interest at a fixed annual rate of 4%.

Available for sale financial assets increased by 3,008% from ₱29.2 million as of December 31, 2012 to ₱906.2 million as of December 31, 2013 due mainly to the various investments made in debt and equity securities.

Prepayments and other current assets increased by 65% from ₱454.0 million as of December 31, 2012 to ₱747.6 million as of December 31, 2013 due mainly to the increase in increase in input taxes and creditable withholding taxes, advances to contractors and debt reserve fund.

Investment in associate decreased by 100% from ₱1.68 billion as of December 31, 2012 to nil as of December 31, 2013 due to the disposal of remaining VLL shares in 2013.

Property and equipment increased by 33% from ₱239.4 million as of December 31, 2012 to ₱318.5 million as of December 31, 2013 due refurbishment of cooling system of Starmall Bulacan and Starmall Alabang.

Other non-current assets increased by 12% from ₱107.4 million as of December 31, 2012 to ₱119.8 million as of December 31, 2012 due to the increase in refundable deposits.

Liability for land acquisition decreased by 14% from ₱45.7 million as of December 31, 2012 from ₱39.5 million as of December 31, 2012 due to the payments made for the land in San Jose del Monte, Bulacan.

Interest bearing loans and borrowings increased by 135% from ₱752.8 million as of December 31, 2012 from ₱1.8 billion as of December 31, 2013 due to the additional interest bearing loans obtained in 2013.

Accounts and other payables increased by 20% from ₱832.9 million as of December 31, 2012 to ₱991.2 million as of December 31, 2013 due mainly to the increase in accounts payable to suppliers and contractors for the construction and development of new projects.

Due to related parties decreased by 6% from ₱270.0 million as of December 31, 2012 to ₱254.8 million as of December 31, 2013 to payments made to affiliates in 2013.

Income tax payable increased by 35% from ₱30.9 million as of December 31, 2012 to ₱41.8 million as of December 31, 2013 to due to the income tax payable of MC.

Other current liabilities increased by 87% from ₱13.4 million as of December 31, 2012 to ₱25.1 million as of December 31, 2013 to due to the increase in customer advances and deposits.

Retirement benefit obligation increased by 39% from ₱26.8 million as of December 31, 2012 to ₱37.4 million as of December 31, 2013 due to increased head count and actuarial adjustments.

Deferred gross profit decreased by 27% from ₱38.2 million as of December 31, 2012 to ₱27.7 million as of December 31, 2013 due to the recognition of deferred gross profit on the real estate sales of MC.

Deferred tax liabilities posted an increase of 138% from ₱41.3 million as of December 31, 2012 to ₱98.2 million as of December 31, 2013. The difference is due to the increased in temporary tax differences of MAPI and MC.

Total stockholder's equity increased by 7% from ₱19.2 billion as of December 31, 2012 to ₱20.5 billion as of December 31, 2013 to due to the earnings for the year.

Material Changes to the Company's Statement of income for the year ended December 31, 2013 compared to the year ended December 31, 2012 (increase/decrease of 5% or more)

Rental revenue increased from ₱1.2 billion in the year ended December 31, 2012 to ₱1.3 billion in the year ended December 31, 2013. The 6% increase was due to the increase in occupancy of Starmall Las Pinas, Starmall EDSA-Shaw, Starmall Alabang, Starmall San Jose del Monte and Worldwide Corporate Center.

Common usage and service area (CUSA) charges increased from ₱76.0 million in the year ended December 31, 2012 to ₱168.9 million in the year ended December 31, 2011. The 122% increase was due to increase in occupancy and CUSA charged to tenants of Starmall Las Pinas, Starmall EDSA-Shaw, Starmall Alabang, Starmall San Jose del Monte and Worldwide Corporate Center.

Parking fee revenue increased from ₱30.8 million in the year ended December 31, 2013 to ₱36.7 million in the year ended December 31, 2013. The 19% increase was due to the increase in parking rates, improvement of parking system and increase occupancy in the existing malls and corporate office building.

The Company real estate sales increased by 100% from nil for the year ended December 31, 2012 to ₱19.5 million in the year ended December 31, 2013 due to sales of Brittany's Island Park project in Dasmariñas, Cavite.

Other operating income increased from ₱128.0 million in the year ended December 31, 2012 to ₱95.7 million in the year ended December 31, 2013. The 25% decrease was due to decline in other operating income such as realized gross profit on real estate sales and lower penalties charged to tenants due to improved collection. There was also a one-time gain on derecognition of liabilities in 2012.

Equity in net earnings of an associate decreased from ₱344.6 million in the year ended December 31, 2012 to ₱113.9 million in the year ended December 31, 2013. The 67% decrease was due to disposal of remaining 4.1% shareholdings in VLL in May 2013.

Finance income increased by 27% from ₱17.1 million in the year ended December 31, 2012 to ₱21.5 million in the year ended December 31, 2013. The healthy cash balance resulting from improved revenues and collections in savings and time deposit accounts.

Income from acquisition of subsidiary declined by 100% from ₱9.3 billion for the year ended December 31, 2012 to nil for the year ended December 31, 2013. The Group recorded a one-time gain in 2012 as a result of the negative goodwill amounting to ₱9.3 billion, representing the excess of the Company's share in the fair value of the identifiable net assets of Manuela at the date of the transaction over acquisition cost.

In the period July-August 2012, the Company sold 378.1 million shares of its investment in VLL, with a carrying amount of ₱1.57 billion for a total consideration of ₱1.54 million. The Group recognized a loss from this transaction amounting to ₱35.2 million. In May 2013, the Company sold its remaining shares of investment in VLL with a carrying amount of ₱1.79 billion for a total consideration of ₱2.79 billion and recognizing a gain of ₱993.9 million.

Increase in depreciation and amortization by 30% from ₱443.6 million in the year ended December 31, 2012 to ₱578.5 million in the year ended December 31, 2013 due to additional depreciation from new or refurbished mall equipment and the full year depreciation on the fair value adjustment on the properties owned by Manuela Corp during the consolidation in 2012.

Increase in service fees by 20% from ₱118.4 in the year ended December 31, 2012 to ₱142.4 million in the year ended December 31, 2013 due to the increase in manpower and agency fees for the operations of the malls and office building.

Increase in salaries and employee benefits by 8% from ₱92.3 million in the year ended December 31, 2012 to ₱100.0 million in the year ended December 31, 2013 due to the increase in manpower for the operations and management of the existing malls and office building and the construction and development of new projects of the Group.

Increase in rentals by 9% from ₱69.0 million in the year ended December 31, 2012 to ₱75.4 million in the year ended December 31, 2013 due to the increase in rental payments for the parcel of land in which the Worldwide Corporate Center is located.

Increase in taxes and licenses by 26% from ₱54.9 million in the year ended December 31, 2012 to ₱69.2 million in the year ended December 31, 2013 due to the stock transaction tax for the sale of VLL shares, payment of real property taxes of the various investment properties, and business permits and other licenses for the operations of the malls and the corporate building.

Increase in repairs and maintenance by 10% from ₱33.3 million in the year ended December 31, 2012 to ₱36.6 million in the year ended December 31, 2013 due to the repairs made to various equipment of the older malls and WCC building.

Increase in light and power by 99% from ₱17.0 million in the year ended December 31, 2012 to ₱33.7 million in the year ended December 31, 2013 due to the increase in consumption and rate of utilities.

Decrease in advertising and promotion by 11% from ₱20.6 million in the year ended December 31, 2012 to ₱18.3 million in the year ended December 31, 2013 due to cost efficiencies done for marketing, advertising and promotions for the malls.

Increase in insurance expense by 32% from ₱13.1 million in the year ended December 31, 2011 to ₱17.2 million in the year ended December 31, 2013 due to the increase in insurance premiums paid for additional malls, equipment and service vehicles used in operations.

Decrease in professional fees by 53% from ₱36.5 million in the year ended December 31, 2012 to ₱17.2 million in the year ended December 31, 2013 as a result of decrease in number of consultants in 2013.

Cost of real estate sales increased by 100% from nil in the year ended December 31, 2012 to ₱11.6 million in the year ended December 31, 2013 due to real estate sales made by BEC in its Island Park project in 2013.

Decrease in other operating expenses by 48% from ₱78.7 million in the year ended December 31, 2012 to ₱41.1 million in the year ended December 31, 2013 due to the decrease in various expenses such as rehabilitation and communication expenses and the non-incurrence of impairment loss on investment property in 2013.

Interest and financing charges decreased by 8% from ₱33.0 million in the year ended December 31, 2012 to ₱30.4 million in the year ended December 31, 2013. This was due capitalization of interest on loans made for the re-development of Starmall EDSA, Starmall Alabang, and Starmall San Jose del Monte and the construction of the new projects of the group.

Other charges decreased by 97% from ₱55.5 in the year ended December 31, 2012 to ₱1.6 million in the year ended December 31, 2013. This was due non-recurrence of various expenses incurred by the group in 2012 in relation to the issuance of additional shares and the company's future plans of offering additional shares to the public.

Tax expense for the year ended December 31, 2013 is ₱195.6 million and decreased by 19% from ₱241.4 million for the year ended December 31, 2012. This is due to the net effect of the tax payments made and accrued for capital gains tax, stock transaction taxes, regular income tax, minimum corporate income tax and final taxes on deposits.

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.

REVIEW OF YEAR END 2012 VS YEAR END 2011

RESULTS OF OPERATIONS

Revenues

Rental Revenue
Rental revenue increased from nil in the year ended December 31, 2011 to ₱1.2 billion in the year ended December 31, 2012. The 100% increase was due to opening of Starmall San Jose del Monte in April 2012 and the consolidation of the rental income from Starmall Las Pinas, Starmall Las Pinas Annex, Starmall EDSA-Shaw, Starmall Alabang and Worldwide Corporate Center.

Common Usage and Service Area Charges
Comn usage and service area (CUSA) charges increased from nil in the year ended December 31, 2011 to ₱76.0 million in the year ended December 31, 2012. The 100% increase was due to opening of Starmall San Jose del Monte in April 2012 and the consolidation of the rental income from Starmall Las Pinas, Starmall Las Pinas Annex, Starmall EDSA-Shaw, Starmall Alabang and Worldwide Corporate Center.

Parking Fees
Parking fee revenue increased from nil in the year ended December 31, 2011 to ₱30.8 million in the year ended December 31, 2012. The 100% increase was due to opening of Starmall San Jose del Monte in April 2012 and the consolidation of the rental income from Starmall Las Pinas, Starmall Las Pinas Annex, Starmall EDSA-Shaw, Starmall Alabang and Worldwide Corporate Center.

Other operating income
Other operating income increased from ₱5.2 million in the year ended December 31, 2011 to ₱128.0 million in the year ended December 31, 2012. The 2,363% increase was due to various charges from tenants and customers of Starmall San Jose del Monte, Starmall Las Pinas, Starmall Las Pinas Annex, Starmall EDSA-Shaw, Starmall Alabang and Worldwide Corporate Center, realized gross profit on real estate sales and the gain on derecognition of liabilities.

Equity in Net Earnings of an Associate
Equity in net earnings of an associate increased from ₱337.1 million in the year ended December 31, 2011 to ₱344.6 million in the year ended December 31, 2012. The 2% increase was due to net effect of the increase in the net income of VLL in 2012 and the disposal of 4.4% shareholdings in VLL in 2012.

Finance Income
Finance income increased from ₱2.2 million in the year ended December 31, 2011 to ₱17.1 million in the year ended December 31, 2012. The 673% increase was due to the increase in savings and time deposit accounts and interest income from collections.

Income from Acquisition of a Subsidiary
The Group recorded a one-time gain as a result of the negative goodwill amounting to ₱9.3 billion, representing the excess of the Company's share in the fair value of the identifiable net assets of Manuela at the date of the transaction over acquisition cost. This was recognized directly in profit or loss in the 2012 consolidated statement of comprehensive income under Other Income (Charges) as Income from acquisition of a subsidiary.

Loss from Disposal of an Investment in an Associate
In the period July-August 2012, the Company sold 378.1 million shares of its investment in VLL, with a carrying amount of ₱1.57 billion for a total consideration of ₱1.54 million. The Group recognized a loss from this transaction amounting to ₱35 million.

<u>Costs and Expenses</u>

Operating Expenses
Cost and expenses increased from ₱72.3 million in the year ended December 31, 2011 to ₱977.4 million in the year ended December 31, 2012. The 1,252% increase in the account was primarily attributable to the following:

- Increase in depreciation and amortization by 14,210% from ₱3.1 million in the year ended December 31, 2011 to ₱443.6 million in the year ended December 31, 2012 due to the increase in buildings and equipment with the completion of Starmall San Jose del Monte and the consolidation of Starmall Las Pinas, Starmall Las Pinas Annex, Starmall EDSA-Shaw, Starmall Alabang and Worldwide Corporate Center.

- Increase in agency service fees by 100% from nil in the year ended December 31, 2011 to ₱118.4 million in the year ended December 31, 2012 due to the operations of Starmall San Jose del Monte and the consolidation of the operations of Starmall Las Pinas, Starmall Las Pinas Annex, Starmall EDSA-Shaw, Starmall Alabang and Worldwide Corporate Center.

- Increase in salaries and employee benefits by 424% from ₱17.6 million in the year ended December 31, 2011 to ₱92.3 million in the year ended December 31, 2012 due to the increase in manpower for the operations and management of Starmall San Jose del Monte and the consolidation of the operations of Starmall Las Pinas, Starmall Las Pinas Annex, Starmall EDSA-Shaw, Starmall Alabang and Worldwide Corporate Center.

- Increase in rental by 246,206% from ₱0.03 million in the year ended December 31, 2011 to ₱69.0 million in the year ended December 31, 2012 due to the consolidation of rental for the parcel of land in which the Worldwide Corporate Center is located.

- Increase in taxes and licenses by 7,857% from ₱0.7 million in the year ended December 31, 2011 to ₱54.9 million in the year ended December 31, 2012 due to the taxes paid for the increase in capitalization of STR, stock transaction tax for the sale of VLL shares, payment of real property taxes of the various investment properties, and business permits and other licenses for the operations of the malls and the corporate building.

- Increase in repairs and maintenance by 1,095% from ₱2.8 million in the year ended December 31, 2011 to ₱33.3 million in the year ended December 31, 2012 due to the repairs made to various equipments and the consolidation of the operations of Starmall Las Pinas, Starmall Las Pinas Annex, Starmall EDSA-Shaw, Starmall Alabang and Worldwide Corporate Center.

- Increase in light and power by 921% from ₱1.7 million in the year ended December 31, 2011 to ₱17.0 million in the year ended December 31, 2012 due to the operations of Starmall San Jose del Monte and the consolidation of the operations of Starmall Las Pinas, Starmall Las Pinas Annex, Starmall EDSA-Shaw, Starmall Alabang and Worldwide Corporate Center.

- Increase in advertising and promotion by 6,547% from ₱0.3 million in the year ended December 31, 2011 to ₱20.6 million in the year ended December 31, 2012 due to the operations of Starmall San Jose del Monte and the consolidation of the operations of Starmall Las Pinas, Starmall Las Pinas Annex, Starmall EDSA-Shaw, Starmall Alabang and Worldwide Corporate Center.

- Increase in insurance expense by 2,472% from ₱0.5 million in the year ended December 31, 2011 to ₱13.1 million in the year ended December 31, 2012 due to the increase in investment properties to be insured with the completion of Starmall San Jose del Monte and the consolidation of the operations of Starmall Las Pinas, Starmall Las Pinas Annex, Starmall EDSA-Shaw, Starmall Alabang and Worldwide Corporate Center.

- Increase in professional fees by 215% from ₱11.6 million in the year ended December 31, 2011 to ₱36.5 million in the year ended December 31, 2012 primarily due to the professional fees paid to design and legal consultants during the year.

- Increase in other operating expenses by 132% from ₱34.0 million in the year ended December 31, 2011 to ₱78.7 million in the year ended December 31, 2012 due to the operations of Starmall San Jose del Monte and the consolidation of the operations of Starmall Las Pinas, Starmall Las Pinas Annex, Starmall EDSA-Shaw, Starmall Alabang and Worldwide Corporate Center.

Interest and Financing Charges
Interest and financing charges increased by 213% from ₱10.6 million in the year ended December 31, 2011 to ₱33.0 million in the year ended December 31, 2012. This was due increased borrowing costs to finance the completion of Starmall San Jose del Monte and various improvement projects on the existing malls and office building.

Other Charges
Other charges increased by 100% from nil in the year ended December 31, 2011 to ₱55.5 million in the year ended December 31, 2012. This was due various expenses incurred by the group in relation to the issuance of additional shares and the company's future plans of offering additional shares to the public.

Provision for Income Tax

Tax expense for the year ended December 31, 2011 is ₱1.1 million and increased by 21,252% to ₱241.4 million for the year ended December 31, 2012. This is due to the payment of capital gains tax in relation to the share swap transaction for the acquisition of MC, regular income tax on MC and the increase in final tax and MCIT.

Net Income

As a result of the foregoing, the Company's comprehensive income increased from ₱271.2 million in the year ended December 31, 2011 to ₱9.7 billion in the year ended December 31, 2012.

For the year ended December 31, 2012, there were no seasonal aspects that had a material effect on the financial condition or results of operations of the Company. 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 Company is not aware of events that will cause a material change in the relationship between the costs and revenues.

FINANCIAL CONDITION

As of December 31, 2012 vs. December 31, 2011

Total assets as of December 31, 2011 were ₱6.9 billion compared to ₱21.7 billion as of December 31, 2012, or a 213% increase. This was due to the following:

- Cash and cash equivalents including short term cash investments increased by 1,687.0% from ₱83.5 million as of December 31, 2011 to ₱1.5 billion as of December 31, 2011 due to the sale of VLL shares, receipt of dividends from VLL and the securing of interest-bearing loans.

- Net Receivables decreased by 2,673% from ₱22.7 million as of December 31, 2011 to ₱630.3 million as of December 31, 2012 mainly due to receivables from tenants of Starmall San Jose Del Monte and the consolidation of the receivables from tenants of Starmall Las Pinas, Starmall Las Pinas Annex, Starmall EDSA-Shaw, Starmall Alabang and Worldwide Corporate Center.

- Due from related parties increased by 82% from ₱184.3 million as of December 31, 2011 to ₱335.2 million as of December 31, 2012 due to advances made to affiliates.

- Real estate for sale and development increased by 88% from ₱381.2 million as of December 31, 2011 to ₱715.7 million as of December 31, 2012 due to the consolidation of real estate properties owned by MC primarily its real estate projects Augustine Grove and Manuelaville.

- Prepayments and other current assets increased by 503% from ₱75.3 million as of December 31, 2011 to ₱454.0 million as of December 31, 2012 due mainly to the increase in increase in input taxes from the construction of Starmall San Jose del Monte, additional creditable withholding taxes from tenants of Starmall San Jose del Monte and consolidation of prepayments and other current assets of MC.

- Available for sale financial assets increased by 49% from ₱19.6 million as of December 31, 2011 to ₱29.2 million as of December 31, 2012 due mainly to the increase in the fair values of investment in Dizon Copper Silver Mines Inc. shares in 2012.

- Investment in associate decreased by 43% from ₱2.97 billion as of December 31, 2011 to ₱1.68 billion as of December 31, 2012 due to the net effect of the equity in net income of VLL, dividends received from VLL and the disposal of VLL shares in 2012.

- Property and equipment increased by 612% from ₱33.6 million as of December 31, 2010 to ₱239.4 million as of December 31, 2012 due purchases of various furniture and equipments of Starmall San Jose del Monte and the consolidation of the furniture and equipments of Starmall Las Pinas, Starmall Las Pinas Annex, Starmall EDSA-Shaw, Starmall Alabang and Worldwide Corporate Center.

- Investment properties increased by 407% from ₱3.2 billion as of December 31, 2010 to ₱16.0 billion as of December 31, 2012. The increase was due to completion of Starmall San Jose del Monte, purchase of a property for development in Mandaluyong City and the consolidation of Starmall Las Pinas, Starmall Las Pinas Annex, Starmall EDSA-Shaw, Starmall Alabang and Worldwide Corporate Center.

- Other non-current assets increased by 2,077% from ₱4.9 million as of December 31, 2011 to ₱107.4 million as of December 31, 2011 due to the increase in long-term installment contracts receivable and refundable deposits with the consolidation of MC.

Total liabilities as of December 31, 2011 were ₱679.1 million compared to ₱2.5 billion as of December 31, 2012, or a 273% increase. This was due to the following:

- Liability for land acquisition increased by 5% from ₱43.5 million as of December 31, 2011 from ₱45.7 million as of December 31, 2012 due to adjustments made for the purchase of land in Bulacan.

- Interest bearing loans and borrowings increased by 738% from ₱89.9 million as of December 31, 2011 from ₱752.8 million as of December 31, 2012 due to the additional interest bearing loans obtained in 2012.
- Accounts and other payables increased by 475% from ₱144.8 million as of December 31, 2011 to ₱832.9 million as of December 31, 2012 due mainly to the increase in accounts payable to suppliers and contractors for the operations of Starmall San Jose del Monte and those of Starmall Las Pinas, Starmall Las Pinas Annex, Starmall EDSA-Shaw, Starmall Alabang and Worldwide Corporate Center.

- Due to related parties decreased by 24% from ₱353.1 million as of December 31, 2011 to ₱270.0 million as of December 31, 2012 to due to payments made during the year and the consolidation of MC.

- Income tax payable increased by 100% from nil as of December 31, 2011 to ₱30.9 million as of December 31, 2012 to due to the income tax payable of MC.

- Other current liabilities increased by 89% from ₱7.1 million as of December 31, 2011 to ₱13.4 million as of December 31, 2012 to due to the consolidation of the payable of MC.

- Retirement benefit obligation increased by 95% from ₱13.8 million as of December 31, 2011 to ₱26.9 million as of December 31, 2012 due to the actuarial adjustments and the consolidation of the retirement benefit obligation of MC.

- Deferred gross profit increased by 4,261% from ₱0.9 million as of December 31, 2011 to ₱38.2 million as of December 31, 2012 due to the consolidation of the deferred gross profit on the real estate sales of MC.

- Deferred tax liabilities posted an increase of 264% from ₱11.3 million as of December 31, 2011 to ₱41.3 million as of December 31, 2012. The difference is due to the increased in temporary tax differences of MAPI and the consolidation of the deferred tax liabilities of MC.

- Other non-current liabilities increased by 274,902% from ₱0.2 million as of December 31, 2011 to ₱441.7 million as of December 31, 2012 mainly due to the consolidation of the increase in security deposits from tenants of Starmall San Jose del Monte and the consolidation of security deposits from tenants of Starmall Las Pinas, Starmall Las Pinas Annex, Starmall EDSA-Shaw, Starmall Alabang and Worldwide Corporate Center.

Total stockholder's equity increased from ₱6.3 billion as of December 31, 2011 to ₱19.2 billion as of December 31, 2012 due to the capital increase, net income for the year and revaluation increase of financial assets.

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

Key Performance Indicators	12/31/2012	12/31/2011
Current ratio [a]	2.82:1	1.24:1
Debt-to-equity ratio [b]	0.13:1	0.11:1
Interest coverage [c]	27.1	(6.1)
Return on assets [d]	2.0%	3.9%
Return on equity [e]	2.2%	4.3%

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 Liabilities 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) Return on assets: This ratio is obtained by dividing the Company s net income (net of income from acquisition of subsidiary) by its total assets. This measures the Company s earnings in relation to all of the resources it had at its disposal.

(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 December 31, 2012 increased from that of December 31, 2011 due to the increase in cash and receivables.

The increase in debt-to-equity ratio was due to the increase in interest-bearing loans and accounts payable.

Interest coverage ratio for the year ended December 31, 2012 increased due to improved operations with the consolidation of Manuela Corp.

Return on asset posted a lower ratio for December 31, 2012 compared to that on December 31, 2011 due to higher asset base in 2012 as a result of the consolidation of MC.

Return on equity is lower as a result of higher equity base with the capital increase and subscription to the capital increase.

Material Changes to the Company's Balance Sheet as of December 31, 2012 compared to December 31, 2011 (increase/decrease of 5% or more)

Cash and cash equivalents including short term cash investments increased by 1,687.0% from ₱83.5 million as of December 31, 2011 to ₱1.5 billion as of December 31, 2011 due to the sale of VLL shares, receipt of dividends from VLL and the securing of interest-bearing loans.

Net Receivables decreased by 2,673% from ₱22.7 million as of December 31, 2011 to ₱630.3 million as of December 31, 2012 mainly due to receivables from tenants of Starmall San Jose Del Monte and the consolidation of the receivables from tenants of Starmall Las Pinas, Starmall Las Pinas Annex, Starmall EDSA-Shaw, Starmall Alabang and Worldwide Corporate Center.

Due from related parties increased by 82% from ₱184.3 million as of December 31, 2011 to ₱335.2 million as of December 31, 2012 due to advances made to affiliates.

Real estate for sale and development increased by 88% from ₱381.2 million as of December 31, 2011 to ₱715.7 million as of December 31, 2012 due to the consolidation of real estate properties owned by MC primarily its real estate projects Augustine Grove and Manuelaville.

Prepayments and other current assets increased by 503% from ₱75.3 million as of December 31, 2011 to ₱454.0 million as of December 31, 2012 due mainly to the increase in increase in input taxes from the construction of Starmall San Jose del Monte, additional creditable withholding taxes from tenants of Starmall San Jose del Monte and consolidation of prepayments and other current assets of MC.

Available for sale financial assets increased by 49% from ₱19.6 million as of December 31, 2011 to ₱29.2 million as of December 31, 2012 due mainly to the increase in the fair values of investment in Dizon Copper Silver Mines Inc. shares in 2012.

Investment in associate decreased by 43% from ₱2.97 billion as of December 31, 2011 to ₱1.68 billion as of December 31, 2012 due to the net effect of the equity in net income of VLL, dividends received from VLL and the disposal of VLL shares in 2012.

Property and equipment increased by 612% from ₱33.6 million as of December 31, 2010 to ₱239.4 million as of December 31, 2012 due purchases of various furniture and equipments of Starmall San Jose del Monte and the consolidation of the furniture and equipments of Starmall Las Pinas, Starmall Las Pinas Annex, Starmall EDSA-Shaw, Starmall Alabang and Worldwide Corporate Center.

Investment properties increased by 407% from ₱3.2 billion as of December 31, 2010 to ₱16.0 billion as of December 31, 2012. The increase was due to completion of Starmall San Jose del Monte, purchase of a property for development in Mandaluyong City and the consolidation of Starmall Las Pinas, Starmall Las Pinas Annex, Starmall EDSA-Shaw, Starmall Alabang and Worldwide Corporate Center.

Other non-current assets increased by 2,077% from ₱4.9 million as of December 31, 2011 to ₱107.4 million as of December 31, 2011 due to the increase in long-term installment contracts receivable and refundable deposits with the consolidation of MC.

Liability for land acquisition increased by 5% from ₱43.5 million as of December 31, 2011 from ₱45.7 million as of December 31, 2012 due to adjustments made for the purchase of land in Bulacan.

Interest bearing loans and borrowings increased by 738% from ₱89.9 million as of December 31, 2011 from ₱752.8 million as of December 31, 2012 due to the additional interest bearing loans obtained in 2012.

Accounts and other payables increased by 475% from ₱144.8 million as of December 31, 2011 to ₱832.9 million as of December 31, 2012 due mainly to the increase in accounts payable to suppliers and contractors for the operations of Starmall San Jose del Monte and those of Starmall Las Pinas, Starmall Las Pinas Annex, Starmall EDSA-Shaw, Starmall Alabang and Worldwide Corporate Center.

Due to related parties decreased by 24% from ₱353.1 million as of December 31, 2011 to ₱270.0 million as of December 31, 2012 to due to payments made during the year and the consolidation of MC.

Income tax payable increased by 100% from nil as of December 31, 2011 to ₱30.9 million as of December 31, 2012 to due to the income tax payable of MC.

Other current liabilities increased by 89% from ₱7.1 million as of December 31, 2011 to ₱13.4 million as of December 31, 2012 to due to the consolidation of the payable of MC.

Retirement benefit obligation increased by 95% from ₱13.8 million as of December 31, 2011 to ₱26.9 million as of December 31, 2012 due to the actuarial adjustments and the consolidation of the retirement benefit obligation of MC.

Deferred gross profit increased by 4,261% from ₱0.9 million as of December 31, 2011 to ₱38.2 million as of December 31, 2012 due to the consolidation of the deferred gross profit on the real estate sales of MC.

Deferred tax liabilities posted an increase of 264% from ₱11.3 million as of December 31, 2011 to ₱41.3 million as of December 31, 2012. The difference is due to the increased in temporary tax differences of MAPI and the consolidation of the deferred tax liabilities of MC.

Other non-current liabilities increased by 274,902% from ₱0.2 million as of December 31, 2011 to ₱441.7 million as of December 31, 2012 mainly due to the consolidation of the increase in security deposits from tenants of Starmall San Jose del Monte and the consolidation of security deposits from tenants of Starmall Las Pinas, Starmall Las Pinas Annex, Starmall EDSA-Shaw, Starmall Alabang and Worldwide Corporate Center.

Total stockholder's equity increased by 206% from ₱6.3 billion as of December 31, 2011 to ₱19.2 billion as of December 31, 2012 due to the capital increase, net income for the year and revaluation increase of financial assets.

Material Changes to the Company's Statement of income for the year ended December 31, 2012 compared to the year ended December 31, 2011 (increase/decrease of 5% or more)

Rental revenue increased from nil in the year ended December 31, 2011 to ₱1.2 billion in the year ended December 31, 2012. The 100% increase was due to opening of Starmall San Jose del Monte in April 2012 and the consolidation of the rental income from Starmall Las Pinas, Starmall Las Pinas Annex, Starmall EDSA-Shaw, Starmall Alabang and Worldwide Corporate Center.

Common usage and service area (CUSA) charges increased from nil in the year ended December 31, 2011 to ₱76.0 million in the year ended December 31, 2012. The 100% increase was due to opening of Starmall San Jose del Monte in April 2012 and the consolidation of the rental income from Starmall Las Pinas, Starmall Las Pinas Annex, Starmall EDSA-Shaw, Starmall Alabang and Worldwide Corporate Center.

Parking fee revenue increased from nil in the year ended December 31, 2011 to ₱30.8 million in the year ended December 31, 2012. The 100% increase was due to opening of Starmall San Jose del Monte in April 2012 and the consolidation of the rental income from Starmall Las Pinas, Starmall Las Pinas Annex, Starmall EDSA-Shaw, Starmall Alabang and Worldwide Corporate Center.

Other operating income increased from ₱5.2 million in the year ended December 31, 2011 to ₱128.0 million in the year ended December 31, 2012. The 2,363% increase was due to various charges from tenants and customers of Starmall San Jose del Monte, Starmall Las Pinas, Starmall Las Pinas Annex, Starmall EDSA-Shaw, Starmall Alabang and Worldwide Corporate Center, realized gross profit on real estate sales and the gain on derecognition of liabilities.

Finance income increased from ₱2.2 million in the year ended December 31, 2011 to ₱17.1 million in the year ended December 31, 2012. The 673% increase was due to the increase in savings and time deposit accounts and interest income from collections.

Income from acquisition of subsidiary increased by 100% from to nil for the year ended December 31, 2011 to ₱9.3 billion for the year ended December 31, 2012. This was due to the one-time gain as a result of the negative goodwill, representing the excess of the Company's share in the fair value of the identifiable net assets of Manuela at the date of the transaction over acquisition cost.

Loss from disposal of an investment in an associate increased by 100% from to nil for the year ended December 31, 2011 to ₱35.1 million for the year ended December 31, 2012 due to the sale b the Company of the 378.1 million shares of its investment in VLL, with a carrying amount of ₱1.57 billion for a total consideration of ₱1.54 million.

Increase in depreciation and amortization by 14,210% from ₱3.1 million in the year ended December 31, 2011 to ₱443.6 million in the year ended December 31, 2012 due to the increase in buildings and equipment with the completion of Starmall San Jose del Monte and the consolidation of Starmall Las Pinas, Starmall Las Pinas Annex, Starmall EDSA-Shaw, Starmall Alabang and Worldwide Corporate Center.

Increase in agency service fees by 100% from nil in the year ended December 31, 2011 to ₱118.4 million in the year ended December 31, 2012 due to the operations of Starmall San Jose del Monte and the consolidation of the operations of Starmall Las Pinas, Starmall Las Pinas Annex, Starmall EDSA-Shaw, Starmall Alabang and Worldwide Corporate Center.

Increase in salaries and employee benefits by 424% from ₱17.6 million in the year ended December 31, 2011 to ₱92.3 million in the year ended December 31, 2012 due to the increase in manpower for the operations and management of Starmall San Jose del Monte and the consolidation of the operations of Starmall Las Pinas, Starmall Las Pinas Annex, Starmall EDSA-Shaw, Starmall Alabang and Worldwide Corporate Center.

Increase in rental by 246,206% from ₱0.03 million in the year ended December 31, 2011 to ₱69.0 million in the year ended December 31, 2012 due to the consolidation of rental for the parcel of land in which the Worldwide Corporate Center is located.

Increase in taxes and licenses by 7,857% from ₱0.7 million in the year ended December 31, 2011 to ₱54.9 million in the year ended December 31, 2012 due to the taxes paid for the increase in capitalization of STR, stock transaction tax for the sale of VLL shares, payment of real property taxes of the various investment properties, and business permits and other licenses for the operations of the malls and the corporate building.

Increase in repairs and maintenance by 1,095% from ₱2.8 million in the year ended December 31, 2011 to ₱33.3 million in the year ended December 31, 2012 due to the repairs made to various equipments and the consolidation of the operations of Starmall Las Pinas, Starmall Las Pinas Annex, Starmall EDSA-Shaw, Starmall Alabang and Worldwide Corporate Center.

Increase in light and power by 921% from ₱1.7 million in the year ended December 31, 2011 to ₱17.0 million in the year ended December 31, 2012 due to the operations of Starmall San Jose del Monte and the consolidation of the operations of Starmall Las Pinas, Starmall Las Pinas Annex, Starmall EDSA-Shaw, Starmall Alabang and Worldwide Corporate Center.

Increase in advertising and promotion by 6,547% from ₱0.3 million in the year ended December 31, 2011 to ₱20.6 million in the year ended December 31, 2012 due to the operations of Starmall San Jose del Monte and the consolidation of the operations of Starmall Las Pinas, Starmall Las Pinas Annex, Starmall EDSA-Shaw, Starmall Alabang and Worldwide Corporate Center.

Increase in insurance expense by 2,472% from ₱0.5 million in the year ended December 31, 2011 to ₱13.1 million in the year ended December 31, 2012 due to the increase in investment properties to be insured with the completion of Starmall San Jose del Monte and the consolidation of the operations of Starmall Las Pinas, Starmall Las Pinas Annex, Starmall EDSA-Shaw, Starmall Alabang and Worldwide Corporate Center.

Increase in professional fees by 215% from ₱11.6 million in the year ended December 31, 2011 to ₱36.5 million in the year ended December 31, 2012 primarily due to the professional fees paid to design and legal consultants during the year.

Increase in other operating expenses by 132% from ₱34.0 million in the year ended December 31, 2011 to ₱78.7 million in the year ended December 31, 2012 due to the operations of Starmall San Jose del Monte and the consolidation of the operations of Starmall Las Pinas, Starmall Las Pinas Annex, Starmall EDSA-Shaw, Starmall Alabang and Worldwide Corporate Center.

Interest and financing charges increased by 213% from ₱10.6 million in the year ended December 31, 2011 to ₱33.0 million in the year ended December 31, 2012. This was due increased borrowing costs to finance the completion of Starmall San Jose del Monte and various improvement projects on the existing malls and office building.

Other charges increased by 100% from nil in the year ended December 31, 2011 to ₱55.5 million in the year ended December 31, 2012. This was due various expenses incurred by the group in relation to the issuance of additional shares and the company's future plans of offering additional shares to the public.

Tax expense for the year ended December 31, 2011 is ₱1.1 million and increased by 21,252% to ₱241.4 million for the year ended December 31, 2012. This is due to the payment of capital gains tax in relation to the share swap transaction for the acquisition of MC, regular income tax on MC and the increase in final tax and MCIT.

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 Group is contingently liable with respect to 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 Philippines continues to experience economic difficulties relating to currency fluctuations, volatile stock markets and slowdown in growth. Management is of the opinion that losses, if any, from these events and conditions will not have material effects on the Group's financial statements.

Any known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the registrant's liquidity increasing or decreasing in any material way. The registrant shall indicate balance sheet conditions or an income or cash flow item that it believes may be indicators of its liquidity condition.

The Group sourced its capital requirements through a mix of bank borrowings, internally generated cash, and divestment of shares in VLL. The Group does not expect any material cash requirements beyond the normal course of the business.

Any events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.

None, except for those items disclosed in the 2013 Audited Financial Statements.

There are no 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 except those disclosed in the 2013 Audited Financial Statements.

Item 7. Financial Statements

The Consolidated Financial Statements of the Company as of and for the year ended December 31, 2013 are incorporated herein in the accompanying Index to Financial Statements and/Supplementary Schedules.

Item 8. Information on Independent Accountant and Other Related Matters

<u>Independent Public Accountant</u>

From 2004 to 2013, the external auditor of the Company was the accounting firm of Punongbayan and Araullo.

Ms. Dalisay B. Duque has been the Partner In-charge since 2004. Pursuant to the General Requirements of SRC Rule 68, Par 3 (Qualifications and Reports of Independent Auditors), Ms. Mailene Sigue-Bisnar became the Partner In-charge for the year 2009.

Mr. Nelson J. Dinio has been the partner designated for the financial statements for the year ended December 31, 2010 to present.

<u>External Audit Fees and Services</u>

<u>External Audit Fees</u>

The following table sets out the aggregate fees billed for each of the last two years for professional services rendered by Punongbayan & Araullo.

	2013	**2012**
	(In ₱ Millions with VAT)	
Audit and Audit-Related Fees:		
Fees for services that are normally provided by the external auditor in connection with statutory and regulatory filings or engagements	₱ 2.98	₱ 2.59
All other fees	–	–
Total	**₱ 2.98**	**₱ 2.59**

Punongbayan & Araullo does not have any direct or indirect interest in the Company

<u>Tax Fees</u>

Tax accounting, compliance, advice, planning and other form of tax services are not rendered by the appointed external auditor of the Company, but are secured from other entities.

<u>All Other Fees</u>

The appointed External Auditor of the Company does not render and/or provide product or service to the Company other than those provided under the caption “External Audit Fees”.

<u>Audit Committee’s Approval Policies and Procedure for the Services of the External Auditor</u>

The scope, extent and nature of the services to be referred to, and/or to be rendered by, the appointed External Auditor of the Company has to be unanimously approved by the Audit Committee in a meeting duly called for the purpose, including the fees to be paid for the services thus rendered and/or referred.

Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

The Group has adopted some revisions and annual improvements to the PFRS (Philippine Financial Reporting Standards) that are relevant to the Group and effective for the financial statements beginning on or after July 1, 2012 or January 1, 2013 as discussed in Note 2.2 of the Notes to Consolidated Financial Statements for the years ended December 31, 2013, 2012 and 2011.

As such, the comparative amounts contained in the audited financial statements may differ from those previously presented in the consolidated financial statements for the year ended December 31, 2012, 2011 and 2010.

There are no disagreements with auditors on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which, if not resolved to their satisfaction, would have caused the auditors to make reference thereto in their reports on the financial statements of the Company and its subsidiaries.

PART III – CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

Board of Directors and Executive Officers

The table below sets forth the members of the Company's Board as of December 31, 2013.

NAME	AGE	POSITION	CITIZENSHIP
Manuel B. Villar Jr.	64	Chairman	Filipino
Jerry M. Navarrete	59	President	Filipino
Frances Rosalie T. Coloma	51	Director, Chief Financial Officer	Filipino
Manuel Paolo A. Villar	37	Director	Filipino
Adisorn Thananun-Narapool	59	Director	Thai
Joel L. Bodegon	65	Independent Director	Filipino
Carolina C. Mejias	58	Independent Director	Filipino
Ma. Nalen Rosero-Galang	42	Corporate Secretary & Compliance Officer	Filipino

** Business Experience of the named directors and officers covers the past five (5) years.*

MANUEL B. VILLAR JR., *Chairman*, is an incumbent Senator of the Philippines, having been elected in 2001 and re-elected in 2007. He served as Senate President from 2006 to 2008. He was a Congressman from 1992 to 2001 and served as Speaker of the House of Representatives from 1998 to 2000. A certified public accountant, Mr. Villar graduated from the University of the Philippines in 1970 with the degree of Bachelor of Science in Business Administration and in 1973 with the degree of Masters in Business Administration. In the early 1970's he founded Camella Homes and successfully managed the company to become the largest homebuilder in the Philippines now known as the Vista Land Group. Mr. Villar has been Chairman of the Board of the Company since 2012.

JERRY M. NAVARRETE, *President*, graduated from the Lyceum of the Philippines with a Bachelor's degree in Economics and from Ateneo de Manila University with a Master's degree in Business Administration. He previously worked as research analyst with Aguilar Shipping for one year. Mr. Navarrete has been with the Villar Family Companies for more than 35 years. Mr. Navarrete has been President and Chief Executive Officer of the Company since 2004.

FRANCES ROSALIE T. COLOMA, *Director and Chief Financial Officer*, graduated cum laude from the University of the Philippines with a Bachelor of Science degree in Business Administration and Accountancy. She is a Certified Public Accountant. She worked as Finance Manager of Alcatel Philippines Inc. and Intel Philippines, Inc., Country Controller of Ericsson Telecommunications Philippines Inc., and Deal Finance Manager of Accenture Delivery Center, Philippines. Before joining the Starmalls group in February, 2011, she was the Assistant General Manager of Maersk Global Services, Philippines. Ms. Coloma has been a Director of the Company since 2011.

MANUEL PAOLO A. VILLAR, *Director*, graduated from the Wharton School of the University of Pennsylvania with a dual degree of Bachelor of Science in Economics and bachelor of Applied Science. He worked as a research analyst at Clemente Capital Inc. in New York City prior to his graduation. He was a fixed income analyst at Goldman Sachs in Hong Kong and a consultant for McKinsey & Co. in the United States for two years before joining the Vista Land

Group in 2001. He is currently the President and Chief Executive Officer of Vista Land. Mr. Villar has been a Director of the Company since 2007.

ADISORN THANANUN-NARAPOOL, *Director*, holds a Bachelor of Accounting from Thammasat University and M.B.A. from Thammasat University. Mr. Thananun-Narapool has been Managing Director of Land and Houses Public Company Limited since May 1, 2013 and serves as its Member of Executive Board. Mr. Thananun-Narapool served as Senior Executive Vice President of Support at Land and Houses Public Company Limited from 2002 to April 2013 and served as its Chief Financial Officer. Mr. Thananun-Narapool served as an Executive Vice President -Land and Houses Public Co., Ltd. from 1992 to 2001. He has been a Director of Land and Houses North Co Ltd., and Land and Houses Northeast Co Ltd., since 1995. Mr. Thananun-Narapool has been a Director of Siam Tanee Property Co., Ltd. since 1991, Siam Tanee Realestate Co., Ltd. since 1993, Safety Insurance Public Co., Ltd. since 1994, Cameron Global Limited since 1999, LH Muang Mai Co., Ltd. since 2001. Mr. Thananun-Narapool serves as a Director of Secondary Mortgage Corporation, Asset Plus Securities Public Co., Ltd., Land and Houses Property Fund. He has been a Director of Land and Houses Public Company Ltd. since 2002.

JOEL L. BODEGON, *Independent Director*, obtained his Bachelor of Arts degree and Bachelor of Laws, both from the University of the Philippines. He was admitted to the Bar in 1975. He worked in a private law firm and the Office of the Solicitor General before he joined Angara Abello Concepcion Regala and Cruz (ACCRA) in 1976, where he became a partner in 1982 until 1986. In 1987, he formed, together with some ACCRA partners, the Jardeleza Sobreviñas Diaz Hayudini & Bodegon Law Offices, where he was managing partner for 12 years until his retirement in 2008. In 2010, he formed the Bodegon Estorninos Guerzon Borie & Bongco Law Offices. Mr. Bodegon has been a Director of the Company since 2010. Atty. Bodegon possesses all the qualifications and none of the disqualifications of an Independent Director under SRC Rule 38 since his election as such.

CAROLINA C. MEJIAS, *Independent Director*, is a Certified Public Accountant who graduated from the Philippine School of Business Administration with a Bachelor’s Degree in Business Administration major in Accounting. Presently, she is the President and General Manager of CCM Accounting Firm rendering Accounting, Taxation, Auditing and Management Services to more than a hundred clients. She also manages her two other businesses – the JF Mejias Construction & Engineering Services as Office Manager-Corporate Treasurer and CICM Enterprises, Inc. (a garments business) as President and General Manager. Ms. Mejias possesses all the qualifications and none of the disqualifications of an Independent Director under SRC Rule 38 since her election as such.

MA. NALEN SJ. ROSERO-GALANG, *Compliance Officer and Corporate Secretary*, graduated salutatorian from the San Beda College of Law. She has been with Manuela since 2001. She was an associate of the Angara Abello Concepcion Regala & Cruz (ACCRA) Law Offices for three years. She is currently a director and Corporate Secretary of Masterpiece Asia Properties, Inc., Brittany Estates Corporation and Manuela Corporation. She is also the Corporate Secretary of the subsidiaries of Vista Land.

<u>Resignation of Directors</u>

Anant Asavabhokhin resigned as director of the Company in June 2013. Adisorn Thananun-Narapool was elected in his place.

To date, no director has resigned or declined to stand for re-election for the Board of Directors due to any disagreement with the Corporation relative to the Corporation’s policies, practices and operations.

Family relationships

Manuel B. Villar, Jr., is the father of Manuel Paolo A. Villar. There are no other family relationships among the directors and executive officers.

Involvement in Certain Legal Proceedings of Directors and Executive Officers

None of the Directors and Executive Officers is involved in any material pending legal proceedings in any court or administrative agency of the government.

(a) None of them has been involved in any bankruptcy petition.

(b) None of them has been convicted by final judgment in a criminal proceeding or being subject to any pending criminal proceeding, both domestic and foreign.

(c) None of them has been subject to any order, judgment or decree of any court of competent jurisdiction (both domestic and foreign) permanently or temporarily enjoining, barring, suspending or likewise limiting their involvement in any type of business, securities, commodities or banking activities.

(d) None of them has been found by a domestic or foreign court of competent jurisdiction (in a civil action), by the Commission or comparable body, or by a domestic or foreign exchange or organized trading market or self regulatory organization, to have violated a securities or commodities law or regulation.

Item 10. Executive Compensation

Names	Position	Year	Salary	Bonus
Jerry Navarrete Frances Rosalie T. Coloma Benjamarie Therese N. Serrano Joselito G. Orense Florence R. Bernardo Shiela Joy L. Sanchez	President Chief Financial Officer Business Development Mall operations Mall operations BPO operations			
Aggregate executive compensation for above named officers		**Actual 2012**	**₱ 6.5M**	**₱ 0.5M**
		Actual 2013	**₱ 9.1M**	**₱ 1.0M**
		Projected 2014	**₱ 11.0M**	**₱ 1.2M**
Aggregate executive compensation for all other officers and directors, unnamed		**Actual 2012**	**₱3.5M**	**₱0.3M**
		Actual 2013	**₱5.0M**	**₱0.5M**
		Projected 2014	**₱7.0M**	**₱0.8M**

The total annual compensation paid to the above-named officers and directors was paid in cash. The annual compensation includes the basic salary, the mid-year and 13th month bonus.

Standard arrangements

Other than payment of reasonable per diem per non-executive director for every meeting, there are no standard arrangements pursuant to which directors of the Company are compensated, or are to be compensated, directly or indirectly by the Company's subsidiaries, for any services provided as a director for 2013 and 2012.

Other arrangements

There are no other arrangements pursuant to which any director of the Company was compensated, or is to be compensated, directly or indirectly by the Company's subsidiaries, during 2012 and 2013 for any service provided as a director.

Employment Contracts and Termination of Employment and Change in Control Arrangements

The Company has not entered into any contract or arrangement for payment of compensation other than what has been included above. Executive officers are considered employees of the Company, but their contracts with the Company are not in writing. The Company has no arrangement for termination of employment.

Warrants and options held by the executive officers and directors

There are no outstanding warrants or options held by the Company's CEO, the named executive officers, and all officers and directors as a group.

Significant employee

The Company has high regard for its human resources. It expects each employee to do his part in achieving the Company's goals and objectives.

Item 11. Security Ownership of Certain Beneficial Owners and Management

Security Ownership of Record and Beneficial Owners

Security ownership of certain record and beneficial owners of more than 5.0% of the voting securities as of December 31, 2013:

Title of Class of Securities	Name/Address of Record Owners and Relationship with Us	Name of Beneficial Owner /Relationship with Record Owner	Citizenship	No. of Shares Held	% of Ownership
Common	Fine Properties, Inc. 3rd Floor Starmall Las Piñas, CV Starr Avenue, Pamplona, Las Piñas City Shareholder	Record Owner is also beneficial Owner	Filipino	3.065,076,761	36.3764%
Common	Althorp. Holdings Inc. Located at 3rd Floor Starmall Las Piñas, CV Starr Avenue, Pamplona, Las Piñas City Shareholder	Record Owner is also beneficial Owner	Filipino	1,964,253,434	23.3118%

Common	Manuela Corporation Starmall Las Piñas, CV Starr Avenue, Pamplona, Las Piñas City Shareholder	Record Owner is subsidiary of the Company	Filipino	1,223,102,790	14.5158%
Common	Land & Houses Public Company Limited Q. House, Convent Building, 4th & 5th Floors, No. 38 Convent Road, Silom, Bangkok, Thailand Shareholder	Record Owner is also beneficial Owner	Thai	808,431,465	9.5945%
Common	Manuel B. Villar Jr. C. Masibay Street, BF Resort Village, Talon, Las Piñas City Shareholder	Record Owner is also beneficial Owner	Filipino	728,900,022	8.6506%
Preferred	Fine Properties Inc. 3rd Floor Starmall Las Piñas, CV Starr Avenue, Pamplona, Las Piñas City Shareholder	Record Owner is also beneficial Owner	Filipino	2,350,000,000	100.000%

Security Ownership of Management

Security ownership of certain management as of December 31, 2013:

Title of Class	Name of Beneficial Owner	Amount & Nature of Beneficial Ownership	Citizenship	Percent of Class
Common Shares	Manuel B. Villar Jr. C. Masibay Street, BF Resort Village, Las Piñas City	728,900,022 – Indirect*	Filipino	8.6506%
Common Shares	Manuel Paolo A. Villar C. Masibay Street, BF Resort Village, Las Piñas City	361,945,243 – Indirect*	Filipino	4.2956%
Common Shares	Jerry M. Navarrete No. 333 Sineguelasan, Bacoor, Cavite	25,000 - Direct	Filipino	.00030%
Common Shares	Frances Rosalie T. Coloma Block 1 Lot 10 Granwood Villas, Quezon City	3,500 - Direct	Filipino	.00000%
Common Shares	Adisorn Thananan-Narapool 1 Q. House, Lumpini 38th Floor, South Saturn Road, Silom, Bangkok, Thailand	1,000 – Indirect*	Thai	.00000%
Common Shares	Joel L. Bodegon 118 Lipa Street, Ayala Alabang Village, Muntinlupa City	1,000 – Direct	Filipino	.00000%

Common Shares	Carolina C. Mejias No. 50 Beverly Hills Avenue, Beverly Hills Subdivision, Antipolo City	1,000 – Direct	Filipino	.00000%

AGGREGATE SHAREHOLDINGS	**1,090,876,765**	**12.9466%**

** Lodged with PCD Nominee Corp.*

<u>Voting Trust Holders of 5.0% or More</u>

As of December 31, 2013, there is no party holding any voting trust for 5% or more of total shares outstanding.

<u>Changes In Control</u>

As of December 31, 2013, there was no arrangement which may result in a change in control of the Company.

Item 12. Certain Relationships and Related Transactions

The Company remains to be substantially controlled by Fine Properties, Inc. ("Fine"). It enters into transactions with associates and related parties, in its regular course of business, consisting mainly of advances and reimbursement of expenses and purchase and sell of real estate properties. These transactions to and from related parties are made on arm's length basis and at current market prices at the time of the transactions.

No transaction, without proper disclosure, was undertaken by the Company in which any Director or Executive Officer, nominee for election as Director, or any member of its immediate family was involved or had a direct or indirect material interest.

No single Director or Executive Officer, nominee for election as Director, or any member of their immediate family owns or holds more than 10% of the Company's voting shares.

Please refer to Notes on Related Party Transactions of the Notes to Consolidated Financial Statements of the 2013 Audited Financial Statements, which is incorporated herein in the accompanying Index to Exhibits.

PART IV – CORPORATE GOVERNANCE

Item 13. Corporate Governance

(A) The Company has designated the Corporate Secretary as Acting Corporate Governance Compliance Officer whose duties include the monitoring of compliance by the Company, its directors, officers and employees with the Company's Manual on Corporate Governance (the "Manual") and adherence to sound corporate governance principles and best practices.

(B) The Company has adopted a corporate governance performance evaluation and self-rating system as approved by our Board of Directors, by which our Acting Corporate Governance Compliance Officer, in coordination with other officers of the Company, measures or determines the level of compliance by the Company, its directors, officers and employees with the provisions of the Manual and other laws, rules and regulations regarding corporate governance.

(C) The Company, its directors, officers and employees has not deviated in any manner from the provisions of the Manual.

(D) Pursuant to SEC Memorandum Circular No. 6, Series of 2009, the Company has revised the Manual to make it compliant with the Revised Code of Corporate Governance.

(E) In October 2012, In compliance with SEC Memo Circular No. 4 series of 2012, the Board approved and adopted the Audit Committee Charter.

(F) The Company shall continuously update the Manual in the form of Supplements to incorporate additional governance-related provisions required under the implementing rules and regulations that are released, from time to time, by the Philippine Stock Exchange and the Philippine SEC.

PART V – EXHIBITS AND SCHEDULES

Item 14. Exhibits and Reports on SEC Form 17 A
Exhibits

See accompanying Index to Financial Statements and Supplementary Schedules.

The following exhibit is incorporated by reference in this report:

Consolidated Financial Statements of the Company as of and for the year ended December 31, 2013.

The other exhibits, as indicated in the Index to Financial Statements and Supplementary Schedules are either not applicable to the Company or require no answer.

Reports on SEC Form 17-C

The following current reports have been reported by Starmalls, Inc. during the year 2013 through official disclosure letters dated:

January 29, 2013
In compliance with the Code of Corporate Governance, the Company submitted the Sworn Certification on the attendance of the members of the Board of Directors in the meetings for the year 2012.

April 11, 2013
The Board of Directors approved the Annual Report and Audited Financial Statements for the year 2012.

May 15, 2013
The Board of Directors approved the Quarterly Report for the three (3) months ended 31 March 2013; setting of the Annual Stockholders' Meeting of STR on 24 June 24, 2013, with record date of 29 May 2013; execution of Management Contract with the Company's subsidiaries wherein the Company shall manage for a fee its subsidiaries namely, Manuela Corp., Masterpiece Asia Properties Inc. and Brittany Estates Corp.; and sale of the Company's 399,397,000 shares of stocks in Vista Land & Lifescapes, Inc. to Fine Properties, Inc.

June 25, 2013
During the Annual Stockholders' Meeting of the Company, the members of the Board Directors of the Company were elected. The shareholders also approved the appointment of Punongbayan & Araullo as external auditor of the Company for 2013. During the organizational meeting of the Board of Directors, members of the Nomination Committee, Audit Committee and Compensation and Remuneration Committee were elected.

August 14, 2013
The Board of Directors approved the Quarterly Report for the six (6) months ended 30 June 2013.

November 14, 2013
The Board of Directors approved the Quarterly Report for the nine (9) months ended 30 September 2013.

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in MANDALUYONG CITY on APR 1 1 2014.

By:

MANUEL B. VILLAR JR.
Chairman

JERRY M. NAVARRETE
President and Chief Executive Officer

FRANCES ROSALIE T. COLOMA
Chief Financial Officer

MA. NALEN ROSERO-GALANG
Corporate Secretary

SUBSCRIBED AND SWORN to before me this APR 1 1 2014 at MANDALUYONG, affiants exhibiting to me their respective Passports, to wit:

Name	Valid ID No.	Valid Until
Manuel B. Villar Jr.	Passport EB1485840	11/30/2015
Jerry M. Navarrete	Passport EB1908540	02/10/2016
Ma. Nalen Rosero-Galang	Passport EB2116785	03/17/2016
Frances Rosalie T. Coloma	Passport EB6724938	11/09/2017

Doc. No. 305
Page No. 62
Book No. V
Series of 2014.

ATTY. JO MARIE C. LAZARO-LIM
NOTARY PUBLIC
UNTIL DECEMBER 31, 2014
ROLL NO. 48438
PTR No. 1946274 / 03 Jan. 2014 / Mandaluyong City
IBP No. 950378 / 03 Jan. 2014 / RSM
MCLE Compliance No. IV-0010805, 27 Dec. 2012

STARMALLS, INC.

INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES
Form 17-A, Item 7

Consolidated Financial Statements

Supplementary Schedules

starmalls.inc
3/L Starmall Las Piñas, CV Starr Avenue, Pamplona, Las Piñas City 1746
UGF Worldwide Corporate Center, Shaw Boulevard, Mandaluyong City
Tel. No. **(+632) 532 0605 / (+632) 871 4001** | Fax No. **(+632) 872 4697**
Website: www.starmallsinc.com.ph

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS

The management of **Starmalls, Inc. and Subsidiaries** (the Group), is responsible for the preparation and fair presentation of the financial statements for the years ended December 31, 2013, 2012 and 2011, in accordance with Philippine Financial Reporting Standards (PFRS), including the following additional supplemental information filed separately from the basic financial statements:

a. Supplementary Schedules Required under Annex 68-E of the Securities Regulation Code Rule 68;
b. Reconciliation of Retained Earnings Available for Dividend Declaration;
c. Schedule of PFRS Effective as of December 31, 2013;
d. Schedule of Financial Indicators for December 31, 2013 and 2012; and
e. Map Showing the Relationship Between and Among the Company and its Related Entities

Management responsibility on the financial statements includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the financial statements, and the additional supplementary information, and submits the same to the stockholders.

Punongbayan & Araullo, the independent auditors appointed by the stockholders, has examined the financial statements of the Company in accordance with Philippine Standards on Auditing and, and in its report to the Board of Directors and stockholders, has expressed its opinion on the fairness of presentation upon completion of such examination.

Signed this 11th day of April 2014.

Manuel B. Villar Jr.
Chairman of the Board

Jerry M. Navarrete
President and Chief Executive Officer

Frances Rosalie T. Coloma
Chief Financial Officer

Subscribed to and sworn before me this APR 1 1 2014 at MANDALUYONG CITY affiants exhibiting to me their respective Passports, to wit:

Name	Valid ID No.	Valid Until
Manuel B. Villar Jr.	Passport EB485840	11/30/2015
Jerry M. Navarrete	Passport EB1908540	02/10/2016
Frances Rosalie T. Coloma	Passport EB6724938	11/09/2017

Doc. No. 298
Page No. 61
Book No. V
Series of 2014

ATTY. JO MARIE C. LAZARO-LIM
NOTARY PUBLIC
UNTIL DECEMBER 31, 2014
ROLL NO. 48438
PTR No. 1946274 / 03 Jan 2014 / Mandaluyong City
IBP No. 950378 / 03 Jan 2014 / RSM
MCLE Compliance No. IV-0010805, 27 Dec. 2012

Punongbayan & Araullo
An instinct for growth™

Consolidated Financial Statements and Independent Auditors' Report

Starmalls, Inc. and Subsidiaries

December 31, 2013, 2012 and 2011
(With Corresponding Figures as of January 1, 2012)

Punongbayan & Araullo

An instinct for growth™

Report of Independent Auditors

19th and 20th Floors, Tower 1
The Enterprise Center
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The Board of Directors and Stockholders
Starmalls, Inc. and Subsidiaries
(Formerly Polar Property Holdings Corporation and Subsidiaries)
3rd Level Starmall Las Piñas
CV Starr Avenue, Pamplona
Las Piñas City

We have audited the accompanying consolidated financial statements of Starmalls, Inc. and subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2013 and 2012, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2013, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Starmalls, Inc. and subsidiaries as at December 31, 2013 and 2012, and their consolidated financial performance and their consolidated cash flows for each of the three years in the period ended December 31, 2013 in accordance with Philippine Financial Reporting Standards.

PUNONGBAYAN & ARAULLO

By: Nelson J. Dinio
Partner

CPA Reg. No. 0097048
TIN 201-771-632
PTR No. 4225008, January 2, 2014, Makati City
SEC Group A Accreditation
Partner - No. 1036-AR-1 (until Aug. 21, 2016)
Firm - No. 0002-FR-3 (until Jan. 18, 2015)
BIR AN 08-002511-32-2013 (until Nov. 7, 2016)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2015)

April 11, 2014

STARMALLS, INC. AND SUBSIDIARIES
(Formerly Polar Property Holdings Corporation and Subsidiaries)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2013 AND 2012
(With Corresponding Figures as of January 1, 2012)
(Amounts in Philippine Pesos)

	Notes	December 31, 2013	December 31, 2012 (As restated - see Note 2)	January 1, 2012 (As restated - see Note 2)
A S S E T S				
CURRENT ASSETS				
Cash and cash equivalents	4	**P 1,124,306,207**	P 1,492,219,006	P 83,514,811
Trade and other receivables – net	5	**845,985,186**	630,277,730	22,725,922
Due from related parties	21	**496,970,020**	335,153,501	184,295,271
Real estate properties for sale	6	**715,556,362**	715,764,450	381,180,924
Available-for-sale financial assets	7	**903,039,131**	-	-
Prepayments and other current assets – net	8	**747,578,326**	454,038,287	75,349,201
Total Current Assets		**4,833,435,232**	3,627,452,974	747,066,129
NON-CURRENT ASSETS				
Due from related parties	21	**2,592,652,336**	-	-
Available-for-sale financial assets	7	**3,204,170**	29,157,295	19,559,375
Investment in an associate	11	**-**	1,679,962,625	2,971,576,194
Property and equipment – net	9	**318,519,856**	239,454,389	33,635,578
Investment property – net	10	**16,389,454,200**	16,045,444,233	3,166,717,322
Other non-current assets	8	**119,828,652**	107,431,885	4,934,986
Total Non-current Assets		**19,423,659,214**	18,101,450,427	6,196,423,455
TOTAL ASSETS		**P 24,257,094,446**	P 21,728,903,401	P 6,943,489,584

	Notes	December 31, 2013	December 31, 2012 (As restated - see Note 2)	January 1, 2012 (As restated - see Note 2)
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Liability for land acquisition	13	**P 21,685,532**	P 19,639,519	P 9,715,206
Interest-bearing loans and borrowings	15	**294,136,138**	118,751,102	86,000,794
Trade and other payables	14	**999,112,850**	832,850,158	144,842,424
Due to related parties	21	**106,293,430**	269,896,937	353,081,322
Income tax payable		**41,845,895**	30,929,997	-
Other current liabilities		**25,148,122**	13,432,415	7,107,169
Total Current Liabilities		**1,488,221,967**	1,285,500,128	600,746,915
NON-CURRENT LIABILITIES				
Liability for land acquisition	13	**17,849,625**	26,068,907	33,817,836
Interest-bearing loans and borrowings	15	**1,477,439,536**	634,032,691	3,883,300
Due to related party	21	**148,502,161**	-	-
Post-employment defined benefit obligation	19	**37,338,199**	26,874,314	13,797,700
Deferred gross profit on real estate sales		**27,721,650**	38,214,910	876,373
Deferred tax liabilities – net	20	**98,172,965**	41,287,680	11,348,236
Refundable deposits		**45,145,549**	38,878,624	14,439,147
Other non-current liabilities	16	**454,984,050**	441,727,940	160,627
Total Non-current Liabilities		**2,307,153,735**	1,247,085,066	78,323,219
Total Liabilities		**3,795,375,702**	2,532,585,194	679,070,134
EQUITY	22			
Equity attributable to parent company's stockholders:				
Capital stock		**8,449,481,155**	8,449,481,155	4,892,411,158
Additional paid-in capital		**976,058,769**	976,058,769	20,000
Treasury stock – at cost		**(1,578,227,989)**	(1,578,227,989)	-
Revaluation reserves		**(56,380,556)**	23,133,540	17,143,790
Retained earnings		**12,424,336,236**	11,087,294,578	1,354,844,502
		20,215,267,615	18,957,740,053	6,264,419,450
Non-controlling interest		**246,451,129**	238,578,154	-
Total Equity		**20,461,718,744**	19,196,318,207	6,264,419,450
TOTAL LIABILITIES AND EQUITY		**P 24,257,094,446**	P 21,728,903,401	P 6,943,489,584

See Notes to Consolidated Financial Statements.

STARMALLS, INC. AND SUBSIDIARIES
(Formerly Polar Property Holdings Corporation and Subsidiaries)
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011
(Amounts in Philippine Pesos)

	Notes	2013	2012 (As restated - see Note 2)	2011 (As restated - see Note 2)
REVENUES AND INCOME				
Rental income	10, 21	**P 1,263,599,761**	P 1,192,765,075	P -
Common usage and service area charges		**168,882,948**	76,004,183	-
Parking fees	2	**36,669,167**	30,835,323	-
Real estate sales	2	**19,548,234**	-	-
Other operating income	17	**95,700,501**	127,968,190	5,195,756
		1,584,400,611	1,427,572,771	5,195,756
COSTS AND EXPENSES				
Depreciation and amortization	9, 10	**578,532,908**	443,592,597	3,146,199
Outside services		**142,412,328**	118,420,599	-
Salaries and employee benefits	19	**100,014,197**	92,265,688	17,599,958
Rentals	24	**75,413,358**	68,965,566	28,000
Taxes and licenses	10	**69,190,730**	54,901,401	690,000
Repairs and maintenance		**36,585,859**	33,323,381	2,788,424
Light and power		**33,690,553**	16,960,749	1,661,093
Advertising and promotions		**18,287,772**	20,582,034	309,661
Insurance		**17,243,556**	13,097,215	509,315
Professional fees		**17,188,547**	36,491,259	11,574,543
Cost of real estate sales		**11,635,515**	-	-
Other operating expenses	17	**41,137,508**	78,752,505	33,977,198
		1,141,332,831	977,352,994	72,284,391
PROFIT (LOSS) FROM OPERATIONS		**443,067,780**	450,219,777	(67,088,635)
OTHER INCOME (CHARGES) - Net				
Gain (loss) on sale of investment in an associate	11	**993,936,785**	(35,159,199)	-
Equity in net earnings of an associate	11	**113,923,650**	344,633,001	337,098,488
Finance costs	18	**(30,354,838)**	(33,040,774)	(10,556,696)
Finance income	18	**21,525,005**	17,011,663	2,208,686
Income from acquisition of a subsidiary	12	**-**	9,317,886,860	-
Other charges	18	**(1,560,779)**	(55,505,434)	-
		1,097,469,823	9,555,826,117	328,750,478
PROFIT BEFORE TAX		**1,540,537,603**	10,006,045,894	261,661,843
TAX EXPENSE	20	**(195,622,970)**	(241,371,497)	(1,130,436)
PROFIT BEFORE PREACQUISITION INCOME		**1,344,914,633**	9,764,674,397	260,531,407
PREACQUISITION INCOME OF A NEWLY ACQUIRED SUBSIDIARY		**-**	(24,494,733)	-
NET PROFIT *(Balance carried forward)*		**P 1,344,914,633**	P 9,740,179,664	P 260,531,407

	Notes	2013	2012 (As restated - see Note 2)	2011 (As restated - see Note 2)
Balance brought forward		**P 1,344,914,633**	P 9,740,179,664	P 260,531,407
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will be reclassified subsequently to profit or loss	7			
Unrealized fair value gain (loss) on available-for-sale financial assets		**(47,710,869)**	6,393,750	11,481,250
Fair value gain on available-for-sale financial asset reclassified to profit or loss		**(25,663,240)**	-	-
		(73,374,109)	6,393,750	11,481,250
Items that will not be reclassified subsequently to profit or loss				
Remeasurement on post-employment defined benefit obligation	19	**(7,195,767)**	(404,000)	(822,700)
Tax income	20	**1,055,780**	-	-
		(6,139,987)	(404,000)	(822,700)
		(79,514,096)	5,989,750	10,658,550
TOTAL COMPREHENSIVE INCOME		**P 1,265,400,537**	P 9,746,169,414	P 271,189,957
Attributable to:				
Parent company's stockholders		**P 1,257,527,562**	P 9,738,439,826	P 271,189,957
Non-controlling interest		**7,872,975**	7,729,588	-
		P 1,265,400,537	P 9,746,169,414	P 271,189,957
Earnings per Share	23	**P 0.186**	P 1.748	P 0.055

See Notes to Consolidated Financial Statements.

STARMALLS, INC. AND SUBSIDIARIES
(Formerly Polar Property Holdings Corporation and Subsidiaries)
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011
(Amounts in Philippine Pesos)

	Attributable to Parent Company's Stockholders							
	Capital Stock	Additional Paid-in Capital	Treasury Stock	Revaluation Reserve	Retained Earnings	Total	Non-controlling Interest	Total
Balance at January 1, 2013								
As previously stated	P 8,449,481,155	P 976,058,769	(P 1,578,227,989)	P 25,663,240	P 11,087,097,878	P 18,960,073,053	P 238,578,154	P 19,198,651,207
Effect of adoption of PAS 19 (Revised)	-	-	-	(2,529,700)	196,700	(2,333,000)	-	(2,333,000)
As restated	8,449,481,155	976,058,769	(1,578,227,989)	23,133,540	11,087,294,578	18,957,740,053	238,578,154	19,196,318,207
Total comprehensive income for the year	-	-	-	(79,514,096)	1,337,041,658	1,257,527,562	7,872,975	1,265,400,537
Balance at December 31, 2013	**P 8,449,481,155**	**P 976,058,769**	**(P 1,578,227,989)**	**(P 56,380,556)**	**P 12,424,336,236**	**P 20,215,267,615**	**P 246,451,129**	**P 20,461,718,744**
Balance at January 1, 2012								
As previously reported	P 4,892,411,158	P 20,000	P -	P 19,269,490	P 1,354,716,102	P 6,266,416,750	P -	P 6,266,416,750
Effect of adoption of PAS 19 (Revised)	-	-	-	(2,125,700)	128,400	(1,997,300)	-	(1,997,300)
As restated	4,892,411,158	20,000	-	17,143,790	1,354,844,502	6,264,419,450	-	6,264,419,450
Additions during the year	3,557,069,997	976,038,769	(1,578,227,989)	-	-	2,954,880,777	230,848,566	3,185,729,343
Total comprehensive income for the year	-	-	-	5,989,750	9,732,450,076	9,738,439,826	7,729,588	9,746,169,414
Balance at December 31, 2012	P 8,449,481,155	P 976,058,769	(P 1,578,227,989)	P 23,133,540	P 11,087,294,578	P 18,957,740,053	P 238,578,154	P 19,196,318,207
Balance at January 1, 2011								
As previously reported	P 4,892,411,158	P 20,000	P -	P 7,788,240	P 1,094,221,495	P 5,994,440,893	P -	P 5,994,440,893
Effect of adoption of PAS 19 (Revised)	-	-	-	(1,303,000)	91,600	(1,211,400)	-	(1,211,400)
As restated	4,892,411,158	20,000	-	6,485,240	1,094,313,095	5,993,229,493	-	5,993,229,493
Total comprehensive income for the year	-	-	-	10,658,550	260,531,407	271,189,957	-	271,189,957
Balance at December 31, 2011	P 4,892,411,158	P 20,000	P -	P 17,143,790	P 1,354,844,502	P 6,264,419,450	P -	P 6,264,419,450

See Notes to Consolidated Financial Statements.

STARMALLS, INC. AND SUBSIDIARIES
(Formerly Polar Property Holdings Corporation and Subsidiaries)
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011
(Amounts in Philippine Pesos)

	Notes	2013	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		P 1,540,537,603	P 10,006,045,894	P 261,661,843
Adjustments for:				
Loss (gain) on sale of investment	11	(993,936,785)	35,159,199	-
Depreciation and amortization	9, 10	578,532,908	443,592,597	3,146,199
Equity in net earnings of an associate	11	(113,923,650)	(344,633,001)	(337,098,488)
Interest expense	18	25,270,870	4,290,431	557,518
Interest income	4, 8, 18	(17,689,914)	(17,011,663)	(1,829,281)
Realized gross profit on real estate sales	17	(6,152,501)	(27,291,650)	(1,989,560)
Impairment losses on trade and other receivables, available-for-sale financial assets and other current assets	5, 7, 8, 18	2,464,076	24,612,969	9,722,978
Unrealized foreign currency losses (gains) – net		(173,387)	186,043	(36,778)
Income from acquisition of a subsidiary	12	-	(9,317,886,860)	-
Impairment loss on investment property	10, 17	-	6,059,967	-
Loss on write-off of assets		-	-	4,362,312
Operating profit (loss) before working capital changes		1,014,929,220	813,123,926	(61,503,257)
Decrease (increase) in amounts due from related parties		181,856,366	132,283,298	(439,807)
Decrease (increase) in trade and other receivables		(217,150,992)	(545,461,628)	17,143,063
Decrease (increase) in real estate properties for sale		208,088	(6,397,374)	(17,959,006)
Increase in prepayments and other current assets		(379,969,009)	(182,342,821)	(33,963,996)
Decrease (increase) in other non-current assets		169,170,350	9,077,518	(2,678,541)
Decrease in liability for land acquisition		-	-	(43,370)
Increase in trade and other payables		201,234,892	157,983,398	95,032,028
Increase (decrease) in other current liabilities		11,715,707	(467,015)	(1,989,560)
Increase in post-employment defined benefit obligation		4,323,898	3,731,160	10,052,000
Increase (decrease) in estimated liability for property development		4,672,311	-	(1,079,132)
Increase (decrease) in other non-current liabilities		(4,226,335)	14,824,420	15,476,147
Cash generated from operations		986,764,496	396,354,882	18,046,569
Cash paid for taxes		(25,321,244)	(141,885,703)	(371,596)
Net Cash From Operating Activities		961,443,252	254,469,179	17,674,973
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of property and equipment	9	(1,056,557,703)	(75,566,551)	(36,310,464)
Additional acquisitions of available-for-sale financial assets	7	(950,750,000)	-	-
Additions to investment property	10	(126,617,756)	(1,059,895,980)	(523,471,015)
Interest received		14,143,796	12,826,265	1,771,545
Proceeds from disposal of a portion of investment in an associate	11	-	1,536,478,845	-
Dividends received	11	-	64,608,526	81,637,185
Payment for transaction cost on available-for-sale financial assets		-	(11,623,800)	-
Net Cash From (Used in) Investing Activities		(2,119,781,663)	466,827,305	(476,372,749)
Balance carried forward		(P 1,158,338,411)	P 721,296,484	(P 458,697,776)

	Notes	2013	2012	2011
Balance brought forward		(P 1,158,338,411)	P 721,296,484	(P 458,697,776)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from availments of interest-bearing loans and borrowings	15	1,072,979,166	728,000,000	81,000,000
Increase (decrease) in amounts due to related parties		(163,603,507)	(83,184,385)	393,302,586
Interest paid		(64,936,149)	(23,220,984)	(371,367)
Repayments of interest-bearing loans and borrowings	15	(54,187,285)	(65,100,301)	(2,450,797)
Proceeds from issuance of preferred shares	22	-	23,500,000	-
Payment of stock issuance cost		-	(17,787,875)	-
Net Cash From Financing Activities		790,252,225	562,206,455	471,480,422
Effect of Exchange Rates Changes on Cash and Cash Equivalents		173,387	(186,043)	36,778
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(367,912,799)	1,283,316,896	12,819,424
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		1,492,219,006	83,514,811	70,695,387
BEGINNING BALANCE OF CASH AND CASH EQUIVALENTS OF A NEWLY ACQUIRED SUBSIDIARY		-	125,387,299	-
CASH AND CASH EQUIVALENTS AT END OF YEAR		P 1,124,306,207	P 1,492,219,006	P 83,514,811

Supplemental Information on Non-cash Investing and Financing Activities:

1. In 2013, the Company sold the remaining 399.4 million shares of its investment in VLL, with carrying amount of P1,793.9 million, for a total consideration of P2,787.8 million to Fine Properties, Inc. which remained outstanding as of December 31, 2013 (see Notes 11 and 21).

2. In 2013, 2012 and 2011, the Group capitalized borrowing costs amounting to P47.8 million, P41.2 million and P0.9 million, respectively, representing the actual borrowing costs incurred on loans obtained to fund the development of the Company's investment property (see Note 10).

3. In 2011, the Group acquired a parcel of land located in Bulacan amounting to P46.3 million to be developed as commercial property in the future. Out of which, P5.3 million was paid at the date of acquisition and the balance payable in quarterly payments over a period of five years commencing on January 15, 2012 (see Note 8).

See Notes to Consolidated Financial Statements.

STARMALLS, INC. AND SUBSIDIARIES
(Formerly Polar Property Holdings Corporation and Subsidiaries)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2013, 2012 AND 2011
(Amounts in Philippine Pesos)

1. CORPORATE INFORMATION

Starmalls, Inc. (the Company or parent company) was incorporated in the Philippines and duly registered with the Securities and Exchange Commission (SEC) on October 16, 1969, originally to pursue mineral exploration. After obtaining SEC approval, the Company later changed its primary business and is now presently engaged in holding investments in shares of stock and real estate business.

On May 14, 2012, the Company's Board of Directors (BOD) authorized the change in corporate name of Polar Property Holdings Corporation to Starmalls, Inc. The SEC approved the Company's application of change in corporate name on June 22, 2012.

The Company is owned by Fine Properties, Inc. or FPI (30.5%), PCD Nominee Corporation or PCDNC (69.2%), and other entities and individuals (0.3%) (see also Note 22). The Company's shares of stock are listed at the Philippine Stock Exchange (PSE).

As of December 31, 2013 and 2012, the Company has ownership interests in the following entities (the Company and subsidiaries are collectively referred herein as the Group):

Subsidiaries/Associate	Percentage of Ownership	
	2013	2012
Subsidiaries:		
Brittany Estates Corporation (BEC)	**100.0%**	100.0%
Masterpiece Asia Properties, Inc. (MAPI)	**100.0%**	100.0%
Manuela Corporation (Manuela)	**98.4%**	98.4%
Associate –		
Vista Land & Lifescapes, Inc. (VLL) – See Note 11	-	4.7%

Despite the 4.7% ownership interest in VLL as of December 31, 2012, the Company considers VLL as an associate due to the presence of significant influence but not control over VLL's operations since one of the Company's BOD is also a director of VLL. In May 2013, the Company sold all its ownership interest in VLL; hence, it ceased to be an associate of the Company as of December 31, 2013 (see Note 11).

All subsidiaries and the associate were incorporated in the Philippines and are primarily engaged in the development, sale of real estate properties and leasing of commercial spaces.

The Company's registered office and principal place of business is located at 3rd Level Starmall Las Piñas, CV Starr Avenue, Pamplona, Las Piñas City.

The consolidated financial statements of the Group for the year ended December 31, 2013 (including the comparatives for the years ended December 31, 2012 and 2011 and the corresponding figures as of January 1, 2012) were authorized for issue by the Company's BOD on April 11, 2014.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarized below and in the succeeding pages. The policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of Preparation of Consolidated Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are adopted by the Financial Reporting Standards Council from the pronouncements issued by the International Accounting Standards Board (IASB).

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

(b) Presentation of Consolidated Financial Statements

The consolidated financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*. The Group presents all items of income and expenses and other comprehensive income in a single consolidated statement of comprehensive income.

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

The Group's adoption of PAS 19 (Revised), *Employee Benefits*, resulted in a material retrospective restatements on certain accounts in the comparative financial statements for the year ended December 31, 2012 and in the corresponding figures as of January 1, 2012 [see Note 2.2(a)(ii)]. Accordingly, the Group presents a third consolidated statement of financial position as of January 1, 2012 without the related notes, except for the disclosures required under PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*.

(c) Functional and Presentation Currency

These consolidated financial statements are presented in Philippine pesos, the functional and presentation currency of the Company and its subsidiaries, and all values represent absolute amounts except when otherwise indicated.

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

2.2 Adoption of New and Amended PFRS

(a) Effective in 2013 that are Relevant to the Group

In 2013, the Group adopted for the first time the following new PFRS, revisions, amendments and annual improvements thereto that are relevant to the Group and effective for financial statements for the annual period beginning on or after July 1, 2012 or January 1, 2013:

PAS 1 (Amendment)	:	Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income
PAS 19 (Revised)	:	Employee Benefits
PFRS 7 (Amendment)	:	Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities
PFRS 10	:	Consolidated Financial Statements
PFRS 12	:	Disclosures of Interests in Other Entities
PAS 27 (Revised)	:	Separate Financial Statements
PAS 28 (Revised)	:	Investments in Associates and Joint Ventures
PFRS 10, 11 and 12 (Amendments)	:	Amendments to PFRS 10, 11 and 12 – Transition Guidance to PFRS 10, 11 and 12
PFRS 13	:	Fair Value Measurement
Annual Improvements	:	Annual Improvements to PFRS (2009-2011 Cycle)

Discussed below are relevant information about these amended standards.

(i) PAS 1 (Amendment), *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income* (effective from July 1, 2012). The amendment requires an entity to group items presented in other comprehensive income into those that, in accordance with other PFRS: (a) will not be reclassified subsequently to profit or loss; and, (b) will be reclassified subsequently to profit or loss when specific conditions are met. The amendment has been applied retrospectively; hence, the presentation of other comprehensive income has been modified to reflect the changes.

(ii) PAS 19 (Revised), *Employee Benefits* (effective from January 1, 2013). The revised standard made a number of changes to the accounting for employee benefits. The most significant changes relate to defined benefit plan as follows:

- eliminates the corridor approach and requires the recognition of remeasurements (including actuarial gains and losses) arising in the reporting period in other comprehensive income;

- changes the measurement and presentation of certain components of the defined benefit cost. The net amount in profit or loss is affected by the removal of the expected return on plan assets and interest cost components and their replacement by a net interest expense or income based on the net defined benefit liability or asset; and,

- enhances disclosure requirements, including information about the characteristics of defined benefit plans and the risks that entities are exposed to through participation in those plans.

The Group has applied PAS 19 (Revised) retrospectively in accordance with its transitional provisions. Consequently, it restated the comparative consolidated financial statements as of December 31, 2012 and the corresponding figures as of January 1, 2012. The effect of the restatement on the affected liability and equity components is shown below.

	December 31, 2012		
	As Previously Reported	Effect of Adoption of PAS 19 (Revised)	As Restated
Net increase in liability – Post-employment defined benefit obligation	(P 24,541,314)	(P 2,333,000)	(P 26,874,314)
Changes in components of equity:			
Retained earnings	P 11,087,097,878	P 196,700	P 11,087,294,578
Revaluation reserves	25,663,240	(2,529,700)	23,133,540
Net decrease in equity		(P 2,333,000)	

	January 1, 2012		
	As Previously Reported	Effect of Adoption of PAS 19 (Revised)	As Restated
Net increase in liability – Post-employment defined benefit obligation	(P 11,800,400)	(P 1,997,300)	(P 13,797,700)
Changes in components of equity:			
Retained earnings	P 1,354,716,102	P 128,400	P 1,354,844,502
Revaluation reserves	19,269,490	(2,125,700)	17,143,790
Net decrease in equity		(P 1,997,300)	

The effects of the adoption of PAS 19 (Revised) on the consolidated statements of comprehensive income for the years ended December 31, 2012 and 2011 are shown below.

	December 31, 2012		
	As Previously Reported	Effect of Adoption of PAS 19 (Revised)	As Restated
Changes in profit or loss:			
Salaries and employee benefits	P 92,621,988	(P 356,300)	P 92,265,688
Finance costs	32,752,774	288,000	33,040,774
		(P 68,300)	
Change in other comprehensive income –			
Remeasurement of post-employment defined benefit obligation	P -	P 404,000	P 404,000

	December 31, 2011		
	As Previously Reported	Effect of Adoption of PAS 19 (Revised)	As Restated
Changes in profit or loss:			
Salaries and employee benefits	P 17,912,958	(P 313,000)	P 17,599,958
Finance costs	10,280,496	276,200	10,556,696
		(P 36,800)	
Change in other comprehensive income –			
Remeasurements of post-employment defined benefit obligation	P -	P 822,700	P 822,700

The adoption of PAS19 (Revised) did not have a material impact on the Group's statement of cash flows and basic and diluted earnings per share for the years ended December 31, 2012 and 2011.

(iii) PFRS 7 (Amendment), *Financial Instruments: Disclosures – Offsetting of Financial Assets and Financial Liabilities* (effective from January 1, 2013). The amendment requires qualitative and quantitative disclosures relating to gross and net amounts of recognized financial instruments that are set-off in accordance with PAS 32, *Financial Instruments: Presentation*. The amendment also requires disclosure of information about recognized financial instruments which are subject to enforceable master netting arrangements or similar agreements, even if they are not set-off in the statement of financial position, including those which do not meet some or all of the offsetting criteria under PAS 32 and amounts related to a financial collateral. These disclosures allow financial statement users to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with recognized financial assets and financial liabilities on the entity's statement of financial position. The adoption of this amendment did not result in any significant changes in the Group's disclosures on its consolidated financial statements as it has no master netting arrangements; however, potential offsetting arrangements are disclosed in Note 26.2.

(iv) Consolidation, Joint Arrangements, Associates and Disclosures

This package of consolidation, joint arrangements, associates and disclosures standards comprise of PFRS 10, *Consolidated Financial Statements*, PFRS 11, *Joint Arrangements*, PFRS 12, *Disclosure of Interests in Other Entities*, PAS 27 (Revised), *Separate Financial Statements* and PAS 28 (Revised), *Investments in Associates and Joint Ventures*.

- PFRS 10 changes the definition of control focusing on three elements which determines whether the investor has control over the investee such as the (a) power over the investee; (b) exposure or rights to variable returns from involvement with the investee; and, (c) ability to use such power to affect the returns. This standard also provides additional guidance to assist in determining controls when this is difficult to assess, particularly in situation where an investor that owns less than 50% of the voting rights in an investee may demonstrate control to the latter.

- PFRS 12 integrates and makes consistent the disclosure requirements for entities that have interest in subsidiaries, joint arrangements, associates, special purpose entities and unconsolidated structured entities. In general, this requires more extensive disclosures about the risks to which an entity is exposed from its involvement with structured entities.

- PAS 27 (Revised) deals with the requirements pertaining solely to separate financial statements after the relevant discussions on control and consolidated financial statements have been transferred and included in PFRS 10, while PAS 28 (Revised) includes the requirements for joint ventures, as well as for associates, to be accounted for using the equity method following the issuance of PFRS 11.

Subsequent to the issuance of these standards, amendments to PFRS 10, 11 and 12 were issued to clarify certain transitional guidance for the first-time application of the standards. The guidance clarifies that an entity is not required to apply PFRS 10 retrospectively in certain circumstances and clarifies the requirements to present adjusted comparatives. The guidance also made changes to PFRS 10 and 12 which provide similar relief from the presentation or adjustment of comparative information for periods prior to the immediately preceding period. Further, it provides relief by removing the requirement to present comparatives for disclosures relating to unconsolidated structured entities for any period before the first annual period for which PFRS 12 is applied.

The Group has evaluated the various facts and circumstances related to its interests in other entities and it has determined that the adoption of the foregoing standards had no material impact on the amounts recognized in these consolidated financial statements (see Note 2.3). Additional information, however, are disclosed in compliance with the requirements of PAS 27 (Revised) with respect to principal place of business and incorporation of the associates (see Note 1).

(v) PFRS 13, *Fair Value Measurement* (effective from January 1, 2013). This new standard clarifies the definition of fair value and provides guidance and enhanced disclosures about fair value measurements. The requirements under this standard do not extend the use of fair value accounting but provide guidance on how it should be applied to both financial instrument items and non-financial items for which other PFRS require or permit fair value measurements or disclosures about fair value measurements, except in certain circumstances. This new standard applies prospectively from annual periods beginning January 1, 2013; hence, disclosure requirements need not be presented in the comparative information in the first year of application.

Other than the additional disclosures presented in Note 27, the application of this new standard had no significant impact on the amounts recognized and disclosed in the consolidated financial statements.

(vi) 2009 - 2011 Annual Improvements to PFRS. Annual improvements to PFRS (2009 - 2011 Cycle) made minor amendments to a number of PFRS. Among those improvements, the following are relevant to the Group:

(a) PAS 1 (Amendment), *Presentation of Financial Statements – Clarification of the Requirements for Comparative Information*. The amendment clarifies that a statement of financial position as at the beginning of the preceding period (third statement of financial position) is required when an entity applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items that has a material effect on the information in the third statement of financial position. The amendment specifies that other than disclosure of certain specified information in accordance with PAS 8, related notes to the third consolidated statement of financial position are not required to be presented.

Consequent to the Group's adoption of PAS 19 (Revised) in the current year which resulted in retrospective restatement of the prior years' consolidated financial statements, the Group has presented a third consolidated statement of financial position as of January 1, 2012 without the related notes, except for the disclosure requirements of PAS 8.

(b) PAS 32 (Amendment), *Financial Instruments: Presentation – Tax Effect of Distributions to Holders of Equity Instruments.* The amendment clarifies that the consequences of income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction shall be accounted for in accordance with PAS 12, *Income Taxes*. Accordingly, income tax relating to distributions to holders of an equity instrument is recognized in profit or loss while income tax related to the transaction costs of an equity transaction is recognized in equity. This amendment had no significant impact on the Group's consolidated financial statements since the Group has no distributions to holders of equity instrument.

(c) PAS 16 (Amendment), *Property, Plant and Equipment – Classification of Servicing Equipment*. The amendment addresses a perceived inconsistency in the classification requirements for servicing equipment which resulted in classifying servicing equipment as part of inventory when it is used for more than one period. It clarifies that items such as spare parts, stand-by equipment and servicing equipment shall be recognized as property, plant and equipment when they meet the definition of property, plant and equipment, otherwise, these are classified as inventory. This amendment has no significant effect on the consolidated financial statements of the Group since it does not have such items which are covered by this amendment.

(b) Effective in 2013 that are not Relevant to the Group

The following new PFRS, amendments, annual improvements and interpretation thereto are mandatory for accounting periods beginning on or after January 1, 2013 but are not relevant to the Group's consolidated financial statements:

PFRS 1 (Amendment)	:	First-time Adoption of PFRS – Government Loans
PFRS 11	:	Joint Arrangements
Annual Improvements		
PAS 34 (Amendment)	:	Interim Financial Reporting – Interim Financial Reporting and Segment Information for Total Assets and Liabilities
PFRS 1 (Amendment)	:	First-time Adoption of PFRS – Repeated Application of PFRS 1 and Borrowing Cost
Philippine Interpretation – International Financial Reporting Interpretations Committee (IFRIC) 20	:	Stripping Costs in the Production Phase of a Surface Mine

(c) Effective Subsequent to 2013 but not Adopted Early

There are new PFRS, amendments, annual improvements and interpretations to existing standards that are effective for periods subsequent to 2013. Management has initially determined the following pronouncements, which the Group will apply in accordance with their transitional provisions, to be relevant to its consolidated financial statements:

(i) PAS 19 (Amendment), *Employee Benefits*: *Defined Benefit Plans – Employee Contributions* (effective from January 1, 2014). The amendment clarifies that if the amount of the contributions from employees or third parties is dependent on the number of years of service, an entity shall attribute the contributions to periods of service using the same attribution method (i.e., either using the plan's contribution formula or on a straight-line basis) for the gross benefit. Management has initially determined that this amendment will have no impact on the Group's consolidated financial statements.

(ii) PAS 32 (Amendment), *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities* (effective from January 1, 2014). The amendment provides guidance to address inconsistencies in applying the criteria for offsetting financial assets and financial liabilities. It clarifies that a right of set-off is required to be legally enforceable, in the normal course of business, in the event of default; and in the event of insolvency or bankruptcy of the entity and all of the counterparties. The amendment also clarifies the principle behind net settlement and provided characteristics of a gross settlement system with characteristics that would satisfy the criterion for net settlement. The Group does not expect this amendment to have a significant impact on its consolidated financial statements.

(iii) PAS 36 (Amendment), *Impairment of Assets – Recoverable Amount Disclosures for Non-financial Assets* (effective from January 1, 2014). The amendment clarifies that the requirements for the disclosure of information about the recoverable amount of assets or cash-generating units is limited only to the recoverable amount of impaired assets that is based on fair value less cost of disposal. It also introduces an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount based on fair value less cost of disposal is determined using a present value technique. Management will reflect in its subsequent years' consolidated financial statements the changes arising from this relief on disclosure requirements, if the impact of the amendment will be applicable.

(iv) PAS 39 (Amendment), *Financial Instruments: Recognition and Measurement –Novation of Derivatives and Continuation of Hedge Accounting* (effective January 1, 2014). The amendment provides some relief from the requirements on hedge accounting by allowing entities to continue the use of hedge accounting when a derivative is novated to a clearing counterparty resulting in termination or expiration of the original hedging instrument as a consequence of laws and regulations, or the introduction thereof. As the Group neither enters into transactions involving derivative instruments nor it applies hedge accounting, the amendment will not have impact on the consolidated financial statements.

(v) PFRS 9, *Financial Instruments: Clarification and Measurement*. This is the first part of a new standard on financial instruments that will replace PAS 39, *Financial Instruments: Recognition and Measurement*, in its entirety. The first phase of the standard was issued in November 2009 and October 2010 and contains new requirements and guidance for the classification, measurement and recognition of financial assets and financial liabilities. It requires financial assets to be classified into two measurement categories: amortized cost or fair value. Debt instruments that are held within a business model whose objective is to collect the contractual cash flows that represent solely payments of principal and interest on the principal outstanding are generally measured at amortized cost. All other debt instruments and equity instruments are measured at fair value. In addition, PFRS 9 allows entities to make an irrevocable election to present subsequent changes in the fair value of an equity instrument that is not held for trading in other comprehensive income.

The accounting for embedded derivatives in host contracts that are financial assets is simplified by removing the requirement to consider whether or not they are closely related, and, in most arrangements, does not require separation from the host contract.

For liabilities, the standard retains most of the PAS 39 requirements which include amortized cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in case where the fair value option is taken for financial liabilities, the part of a fair value change due to the liability's credit risk is recognized in other comprehensive income rather than in profit or loss, unless this creates an accounting mismatch.

In November 2013, the IASB has published amendments to International Financial Reporting Standard (IFRS) 9 that contain new chapter and model on hedge accounting that provides significant improvements principally by aligning hedge accounting more closely with the risk management activities undertaken by entities when hedging their financial and non-financial risk exposures. The amendment also now requires changes in the fair value of an entity's own debt instruments caused by changes in its own credit quality to be recognized in other comprehensive income rather in profit or loss. It also includes the removal of the January 1, 2015 mandatory effective date of IFRS 9.

To date, the remaining chapter of IFRS 9/PFRS 9 dealing with impairment methodology is still being completed. Further, the IASB is currently discussing some limited modifications to address certain application issues regarding classification of financial assets and to provide other considerations in determining business model.

The Group does not expect to implement and adopt PFRS 9 until its effective date. In addition, management is currently assessing the impact of PFRS 9 on the consolidated financial statements of the Group and it will conduct a comprehensive study of the potential impact of this standard prior to its mandatory adoption date to assess the impact of all changes.

(vi) PFRS 10, 12 and PAS 27 (Amendments) – *Investment Entities* (effective from January 1, 2014). The amendments define the term "investment entities," provide supporting guidance, and require investment entities to measure investments in the form of controlling interest in another entity, at fair value through profit or loss.

Management does not anticipate these amendments to have a material impact on the Group's consolidated financial statements.

(vii) Philippine Interpretation IFRIC 15, *Agreements for Construction of Real Estate*. This Philippine interpretation is based on IFRIC interpretation issued by the IASB in July 2008 effective for annual periods beginning on or after January 1, 2009. The adoption of this interpretation in the Philippines, however, was deferred by the FRSC and Philippine SEC after giving due considerations on various application issues and the implication on this interpretation of the IASB's on-going revision of the revenue recognition standard. This interpretation provides guidance on how to determine whether an agreement for the construction of real estate is within the scope of PAS 11, *Construction Contracts*, or PAS 18, *Revenue*, and accordingly, when revenue from the construction should be recognized. The main expected change in practice is a shift from recognizing revenue using the percentage of completion method (i.e., as a construction progresses, by reference to the stage of completion of the development) to recognizing revenue at completion upon or after delivery. The Group is currently evaluating the impact of this interpretation on its financial statements in preparation for its adoption when this becomes mandatorily effective in the Philippines.

(viii) Annual Improvements to PFRS. Annual improvements to PFRS (2010 - 2012 Cycle) and PFRS (2011 - 2013 Cycle) made minor amendments to a number of PFRS, which are effective for annual periods beginning on or after July 1, 2014. Among those improvements, the following amendments are relevant to the Group but management does not expect a material impact on the Group's consolidated financial statements:

Annual Improvements to PFRS (2010 - 2011 Cycle)

(a) PAS 16 (Amendment), *Property, Plant and Equipment* and PAS 38 (Amendment), *Intangible Assets*. The amendments clarify that when an item of property, plant and equipment, and intangible assets is revalued, the gross carrying amount is adjusted in a manner that is consistent with a revaluation of the carrying amount of the asset.

(b) PAS 24 (Amendment), *Related Party Disclosures*. The amendment clarifies that an entity providing key management services to a reporting entity is deemed to be a related party of the latter. It also requires and clarifies that the amounts incurred by the reporting entity for key management personnel services that are provided by a separate management entity should be disclosed in the consolidated financial statements, and not the amounts of compensation paid or payable by the key management entity to its employees or directors.

(c) PFRS 13 (Amendment), *Fair Value Measurement*. The amendment, though a revision only in the basis of conclusion of PFRS 13, clarifies that issuing PFRS 13 and amending certain provisions of PFRS 9/PAS 39 related to discounting of financial instruments, did not remove the ability to measure short-term receivables and payables with no stated interest rate on an undiscounted basis, when the effect of not discounting is immaterial.

Annual Improvements to PFRS (2011-2013 Cycle)

(a) PFRS 13 (Amendment), *Fair Value Measurement*. The amendment clarifies that the scope of the exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis (the portfolio exception) applies to all contracts within the scope of, and accounted for in accordance with, PAS 39 or PFRS 9, regardless of whether they meet the definitions of financial assets or financial liabilities as defined in PAS 32.

(b) PAS 40 (Amendment), *Investment Property*. The amendment clarifies the interrelationship of PFRS 3, *Business Combinations*, and PAS 40 in determining the classification of property as an investment property or owner-occupied property, and explicitly requires entity to use judgment in determining whether the acquisition of an investment property is an acquisition of an asset or a group of asset, or a business combination in reference to PFRS 3.

2.3 Basis of Consolidation

The Company obtains and exercises control through voting rights. The Group's consolidated financial statements comprise the accounts of the Company, and its subsidiaries, after the elimination of all intercompany transactions. All intercompany assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities under the Group are eliminated in full on consolidation. Unrealized profits and losses from intercompany transactions are also eliminated in full. Intercompany losses that indicate impairment are recognized in the consolidated financial statements.

The financial statements of subsidiaries are prepared for the same reporting period as the Company, using consistent accounting principles.

The Company accounts for its investments in subsidiaries, non-controlling interest and investment in an associate as follows:

(a) Investments in Subsidiaries

Subsidiaries are entities (including structured entities) over which the Group has control. The Group controls an entity when it has power over the investee, it is exposed, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date the Company obtains control. The Company reassesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the three elements of controls indicated above. Accordingly, entities are deconsolidated from the date that control ceases.

The acquisition method is applied to account for acquired subsidiaries. This requires recognizing and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Company, if any. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred and subsequent change in the fair value of contingent consideration is recognized directly in profit or loss.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Company recognizes any non-controlling interest in the acquiree, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any existing equity interest in the acquiree over the acquisition-date fair value of identifiable net assets acquired is recognized as goodwill. If the consideration transferred is less than the fair value of the identifiable net assets of the subsidiaries acquired, in the case of a bargain purchase, the difference is recognized directly as income in profit or loss (see Note 12).

(b) Transactions with Non-controlling Interests

The Group's transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transaction with the owners of the Group in their capacity as owners. The difference between the fair value of any consideration paid and the relevant share acquired of the carrying value of the net assets of the subsidiary is recognized in equity. Disposals of equity investments to non-controlling interests result in gains and losses for the Group that are also recognized in equity.

When the Group ceases to have control over a subsidiary, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

(c) Investment in an Associate

An associate is an entity over which the Group is able to exert significant influence but which is neither a subsidiary nor interest in a joint venture. Investment in an associate is initially recognized at cost and subsequently accounted for using the equity method.

Acquired investment in an associate is also subject to the purchase method. The purchase method involves the recognition of the acquiree's identifiable assets and liabilities, including contingent liabilities, regardless of whether they were recorded in the financial statements prior to acquisition. Goodwill represents the excess of acquisition cost over the fair value of the Company's share of the identifiable net assets of the acquiree at the date of acquisition. Any goodwill or fair value adjustment attributable to the Company's share in the associate is included in the amount recognized as investment in an associate.

All subsequent changes to the share in the equity of the associate are recognized in the Group's carrying amount of the investment. Changes resulting from the profit or loss generated by the associate are credited or charged against Equity in Net Earnings/Losses of an Associate in the Group's consolidated profit or loss and therefore affect the net results of the Group.

Changes resulting from other comprehensive income of the associate or items recognized directly in the associate's equity are recognized in other comprehensive income or equity of the Company, as applicable. However, when the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the investor resumes recognizing its share of those profits only after its share of the profits exceeds the accumulated share of losses that has previously not been recognized.

In computing the Group's share in net earnings or losses of an associate, unrealized gains on transactions between the Group and its associate are eliminated to the extent of the Group's interest in the associate. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of an associate have been changed where necessary to ensure consistency with the policies adopted by the Group.

Distributions received from the associates are accounted for as a reduction of the carrying value of the investment.

2.4 Financial Assets

Financial assets are recognized when the Group becomes a party to the contractual terms of the financial instrument. Financial assets other than those designated and effective as hedging instruments are classified into the following categories: financial assets at fair value through profit or loss (FVTPL), loans and receivables, held-to-maturity investments and available-for-sale (AFS) financial asset. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired.

Regular purchases and sales of financial assets are recognized on their trade date. All financial assets that are not classified as at FVTPL are initially recognized at fair value, plus any directly attributable transaction costs. Financial assets carried at FVTPL are initially recorded at fair value and transactions related to it are recognized in profit or loss.

The Group's financial assets are currently classified as follows:

(a) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. These are included in current assets, except for maturities greater than 12 months after the reporting period which are classified as non-current assets.

Loans and receivables are subsequently measured at amortized cost using the effective interest method, less impairment loss, if any. Any change in their value is recognized in the consolidated profit or loss. Impairment loss is provided when there is objective evidence that the Group will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the impairment loss is determined as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate or current effective interest rate determined under the contract if the loan has a variable interest rate.

The Group's financial assets categorized as loans and receivables are presented as Cash and Cash Equivalents, Trade and Other Receivables, Due from Related Parties, Installment contracts receivable and Advances to officers and employees (classified under Prepayments and Other Current Assets), and Refundable deposits (classified under Other Current and Non-current Assets) in the consolidated statement of financial position. Cash and cash equivalents are defined as cash on hand, demand deposits and short-term, highly liquid investments with original maturities of three months or less, readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

(b) AFS Financial Assets

This category includes non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. They are included in non-current assets under the Available-for-Sale Financial Assets in the consolidated statement of financial position unless management intends to dispose of the investment within 12 months from the reporting period.

All AFS financial assets are subsequently measured at fair value. Gains and losses from changes in fair value are recognized in other comprehensive income, net of any income tax effects, and are reported as part of Revaluation Reserves in equity. When financial asset is disposed of or is determined to be impaired, the cumulative fair value gain or loss recognized in the consolidated other comprehensive income is reclassified from revaluation reserve to profit or loss and presented as a reclassification adjustment within other comprehensive income.

Reversal of impairment loss is recognized in other comprehensive income, except for financial assets that are debt securities which are recognized in consolidated profit or loss only if the reversal can be objectively related to an event occurring after the impairment loss was recognized.

All income and expenses, including impairment losses, relating to financial assets are recognized in profit or loss section of the consolidated statement of comprehensive income.

For investments that are actively traded in organized financial markets, fair value is determined by reference to stock exchange quoted market bid prices at the close of business on the reporting period. For investments where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the investment.

Non-compounding interest and other cash flows resulting from holding financial assets are recognized in consolidated profit or loss when earned, regardless of how the related carrying amount of financial assets is measured.

The financial assets are derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all the risks and rewards of ownership have been substantially transferred to another party.

2.5 Real Estate Properties for Sale

Acquisition costs of raw land intended for future development, including other costs and expenses incurred to effect the transfer of title of the property to the Group, are charged to Real Estate Properties for Sale. Related property development costs are then accumulated in this account.

Except for repossessed residential units, raw land and related development costs including units for sale are carried at the lower of cost and net realizable value. The cost of real estate inventories is based on specific identification method. Cost includes acquisition costs of the land plus the costs incurred for its development, improvement and construction, including capitalized borrowing costs (see Note 2.16). Considering the pricing policies of the Group, cost is considerably lower than the net realizable value. Repossessed residential units are recorded at the lower of the balance of related receivables (net of deferred gross profit) less allowance for impairment losses, if any, and net realizable value.

At the end of the reporting period, real estate properties for sale are valued at lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. Real estate properties for sale are written down to their net realizable values when such amounts are less than their carrying values (see Note 2.17).

Real estate properties for sale represent real estate subdivision projects for which the Group has already obtained licenses to sell from the Housing and Land Use Regulatory Board (HLURB) of the Philippines.

2.6 Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment in value. The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized; expenditures for repairs and maintenance are charged to expense as incurred.

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

Building and improvements	10 to 40 years
Office and other equipment	3 to 5 years
Construction equipment	5 years
Transportation equipment	3 years

The estimated useful lives of property and equipment are reviewed, and adjusted if appropriate, at the end of each reporting period.

Construction-in-progress represents properties under construction and is stated at cost. This includes cost of construction, applicable borrowing cost and other direct costs (see Note 2.16). The account is not depreciated until such time that the assets are completed and available for use.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.17).

The residual values and estimated useful lives of property and equipment are reviewed, and adjusted if appropriate, at the end of each reporting period.

An item of property and equipment, including the related accumulated depreciation and impairment losses, is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in consolidated profit or loss in the year the item is derecognized.

2.7 Investment Property

Investment property which includes land, building and improvements and commercial building under construction are accounted for under the cost model.

Land and building and improvements are property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, used in the production or supply of goods or services or for administrative purposes. The cost of the land and building improvements comprises its purchase price or exchange price and directly attributable costs of acquiring the asset, less any impairment in value.

Commercial building under construction represents property that is being constructed or developed for future use as investment property. This includes cost of construction, applicable borrowing costs (see Note 2.16) and other directly attributable costs of bringing the asset to working condition for its intended use. The account is not depreciated until such time that the asset is completed and available for use.

Depreciation and amortization of investment property under building and improvements are computed using the straight-line method over the estimated useful lives ranging from 5 to 40 years. The estimated useful life of the asset is reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the assets carrying amount is greater than its estimated recoverable amount (see Note 2.17).

Investment property is derecognized upon disposal or when 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 the consolidated profit or loss in the year of retirement or disposal.

2.8 Prepayments and Other Assets

Prepayments and other assets pertain to other resources controlled by the Group as a result of past events. They are recognized in the consolidated financial statements when it is probable that the future economic benefits will flow to the entity and the asset has a cost or value that can be measured reliably.

Other recognized assets of similar nature, where future economic benefits are expected to flow to the Group beyond one year after the end of the reporting period or in the normal operating cycle of the business, if longer, are classified as non-current assets.

2.9 Business Combinations

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

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed.

Negative goodwill which is the excess of the Group's interest in the net fair value of net identifiable assets acquired over acquisition cost is charged directly to income.

For the purpose of impairment testing, goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The cash-generating units or groups of cash-generating units are identified according to operating segment.

Gains and losses on the disposal of an interest in a subsidiary include the carrying amount of goodwill relating to it.

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

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

2.10 Financial Liabilities

Financial liabilities, which include Interest-bearing Loans and Borrowings, Liability for Land Acquisition, Trade and Other Payables [except Deferred output value-added tax (VAT) payable and other tax-related payables], Due to Related Parties, Security deposits (portion of which is also presented under Other Non-current Liabilities) from lessees that are expected to be refunded in cash, are recognized when the Group becomes a party to the contractual terms of the instruments. All interest-related charges incurred on financial liabilities are recognized as an expense in profit or loss section of the consolidated statement of comprehensive income.

Interest-bearing loans and borrowings are availed to finance the construction of the commercial building and for working capital requirements. They are recognized at proceeds received, net of direct issue costs.

Trade and other payables, liability for land acquisition, due to related parties, refundable deposits are initially recognized at their fair values and subsequently measured at amortized cost, using effective interest method for maturities beyond one year, less settlement payment.

Dividend distributions to shareholders are recognized as financial liabilities upon declaration by the Company's BOD.

Financial liabilities are classified as current liabilities if payment is due to be settled within one year or less after the reporting period (or in the normal operating cycle of the business, if longer), or the Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Otherwise, these are presented as non-current liabilities.

Financial liabilities are derecognized from the statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration. The difference between the carrying amount of the financial liability recognized and the consideration paid or payable is recognized in profit or loss.

2.11 Offsetting Financial Instruments

Financial assets and liabilities are offset and the resulting net amount is report in the consolidated statements of financial position when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

2.12 Provisions and Contingencies

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting period, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When time value of money is material, long-term provisions are discounted to their present values using a pretax rate that reflects market assessments and the risks specific to the obligation. The increase due in the provision to passage of time is recognized as interest expense. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the consolidated financial statements. Similarly, possible inflows of economic benefits that do not yet meet the recognition criteria of an asset are considered contingent assets, hence, are not recognized in the consolidated financial statements. On the other hand, any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

2.13 Revenue and Expense Recognition

Revenue comprises revenue from the sale of residential house and lot, sale of goods and rendering of services measured by reference to the fair value of consideration received or receivable by the Group for goods sold and services rendered, excluding VAT and any discounts.

Revenue is recognized to the extent that the revenue can be reliably measured; it is probable that the economic benefits will flow to the Group; and the costs incurred or to be incurred can be measured reliably. In addition, the following specific recognition criteria must also be met before revenue is recognized:

(i) *Rental income* – Rental income is recognized on a straight-line basis over the term of the operating lease. For tax purposes, rental income is recognized based on the contractual terms of the lease (see Note 2.14).

(ii) *Real estate sales* – For financial reporting purposes, revenue from sale of real estate property is generally accounted for using the full accrual method. Under the full accrual method, gross profit on sale is recognized when: (a) the collectability of the sales price is reasonably assured; (b) the earnings process is virtually complete; and, (c) the seller does not have a substantial continuing involvement with the subject properties. The collectibility of the sales price is considered reasonably assured when: (a) the related loan documents have been delivered to the banks; or (b) the full down payment comprising a substantial portion of the contract price, at least 20%, is received, and the capacity to pay and credit worthiness of buyers have been reasonably established for sales under the deferred cash payment arrangement.

When a sale does not meet the requirements for revenue recognition under the full accrual method, the total gross profit is deferred until those requirements are met. The deferred gross profit relating to the sale of residential house and lots that meet certain level of collection but still under construction is presented as Deferred Gross Profit on Real Estate Sales under the liabilities section of the consolidated statements of financial position.

The Group recognizes sale of real estate when at least 15% (for the parent company and BEC) and 20% (for Manuela) of the total contract price has already been collected. If the transaction does not yet qualify as sale, the deposit method is applied until all the conditions for recording a sale are met. Pending the recognition of sale, payments received from buyers are presented as Customers' Deposits classified under Other Non-current Liabilities in the consolidated statements of financial position.

Subsequent cancellations of prior years' real estate sales are deducted from revenues and costs of real estate sold in the year in which such cancellations are made.

Revenues and costs relative to the forfeited or backed-out sales are reversed in the current year as they occur.

For tax purposes, revenue on sale of residential house and lot is recognized in full in the year of sale when more than 25% of the net selling price is collected. Otherwise, the taxable income for the year is computed based on collections from the sales.

(iii) *Rendering of services* – Revenue is recognized when the performance of contractually agreed tasks have been substantially rendered. Revenue from rendering of services include common usage and service area charges, income from parking fees and others.

(iv) *Interest income* – Revenue is recognized as the interest accrues taking into account the effective yield on the related asset.

Costs and expenses are recognized in the consolidated profit or loss upon receipt of goods, utilization of services or at the date they are incurred. Real estate costs that relate to the acquisition, development, improvement and construction of house and lot are capitalized. The capitalized costs of real estate properties are charged to earnings when the related revenues are recognized. The costs of residential house and lots sold before the completion of the contemplated construction are determined based on actual costs incurred plus estimated costs to complete the real estate property.

The estimated costs to complete the real estate property are presented as Estimated liability for property development cost under Trade and Other Payables in the consolidated statement of financial position. Additional costs incurred in connection with developed land and completed real estate properties and other selling and administrative costs are charged to profit or loss when incurred.

Other operating expenses are recognized in the consolidated statement of comprehensive income upon receipt of goods, utilization of services or at the date they are incurred. All finance costs are reported in the consolidated statements of comprehensive income, except capitalized borrowing costs which are included as part of the cost of the related qualifying asset (see Note 2.16).

2.14 Leases

The Group accounts for its leases as follows:

(a) Group as Lessee

Leases which do not transfer to the Group substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments (net of any incentives received from lessor) are recognized as expense in profit or loss on a straight-line basis over the lease term. Associated costs, such as repairs and maintenance and insurance, are expensed as incurred.

(b) Group as Lessor

Operating lease income is recognized as income in profit or loss on a straight-line basis over the lease term. Initial direct costs incurred by the Group in negotiating and arranging operating lease are recognized in profit or loss when incurred.

The Group determines whether an arrangement is, or contains, a lease based on the substance of the arrangement. It makes 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.

2.15 Employee Benefits

The Group provides post-employment defined benefits to employees through a defined benefit plan.

(a) Defined benefit plan

The Group does not have a formal retirement plan but it accrues for retirement benefit costs based on the provisions of Republic Act No. 7641 (RA 7641), *The Retirement Pay Law*. RA 7641 relates to a defined benefit plan.

A defined benefit plan is a pension plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for any benefits from this kind of post-employment plan remains with the Group, even if plan assets for funding the defined benefit plan have been acquired. Plan assets may include assets specifically designated to a long-term benefit fund, as well as qualifying insurance policies. The Group's post-employment defined benefit covers all regular full-time employees.

The liability recognized in the consolidated statement of financial position for a defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using a discount rate derived from the interest rates of a zero coupon government bonds as published by Philippine Dealing and Exchange Corporation, that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related post-employment liability.

Remeasurements, comprising of actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions and the return on plan assets (excluding amount included in net interest) are reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they arise. Net interest is calculated by applying the discount rate at the beginning of the period, taking account of any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments. Net interest is reported as part of Finance Costs in the consolidated statement of comprehensive income.

Past service costs are recognized immediately in profit or loss in the period of a plan amendment.

(b) Compensated Absences and Other Employee Benefits

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

2.16 Borrowing Costs

Borrowing costs are recognized as expenses in the period in which they are incurred, except to the extent that they are capitalized. Borrowing costs that are attributable to the acquisition, construction or production of a qualifying asset (i.e., an asset that takes a substantial period of time to get ready for its intended use or sale) are capitalized as part of cost of such asset. The capitalization of borrowing costs commences when expenditures for the asset and borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization ceases when substantially all such activities are complete.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

For income tax purposes, interest and other borrowing costs are charged to expenses when incurred.

2.17 Impairment of Non-financial Assets

The Group's property and equipment, investment properties and other non-financial assets are subject to impairment testing. Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, assets are tested for impairment either individually or at the cash-generating unit level.

Impairment loss is recognized for the amount by which the asset's or cash generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less cost to sell and value-in-use. In determining value-in-use, management estimates the expected future cash flows from each cash-generating unit and determines the suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

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

2.18 Income Taxes

Tax expense recognized in consolidated profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity, if any.

Current tax assets or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the end of the reporting period. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in the consolidated profit or loss.

Deferred tax is accounted for using the liability method, on all temporary differences at the end of the reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carry forward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Unrecognized deferred tax assets are reassessed at the end of the reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow such deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled provided such tax rates have been enacted or substantively enacted at the end of the reporting period.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in the consolidated profit or loss except that it relates to the items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

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

2.19 Related Party Transactions and Relationships

Related party transactions are transfer of resources, services or obligations between the Group and its related parties, regardless whether a price is charged.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Group, (b) associates; and, (c) individuals owning directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the Group and close members of the family of any such individual.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.

2.20 Equity

Capital stock represents the nominal value of shares that have been issued.

Additional paid-in capital includes any premium received on the issuance of capital stock. Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital, net of any related income tax benefits.

Treasury stock are stated at the cost of reacquiring such shares and are deducted from equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of (see Note 22).

Revaluation reserves comprise gains and losses due to the revaluation of AFS financial assets and remeasurements of post-employment defined benefit plan.

Retained earnings represent all current and prior period results as reported in the profit or loss section of the consolidated statement of comprehensive income.

2.21 Earnings Per Share

Earnings per share (EPS) is determined by dividing net profit attributable to equity stockholders of the Company by the weighted average number of shares issued and outstanding during the year, adjusted retroactively for any stock dividend, stock split or reverse stock split declared during the current period.

The Group has no dilutive potential common shares that would require disclosure of diluted earnings per share in the consolidated statements of comprehensive income.

2.22 Events After the End of the Reporting Period

Any post-year-end event that provides additional information about the Group's financial position at the end of the reporting period (adjusting event) is reflected in the consolidated financial statements. Post-year-end events that are not adjusting events, if any, are disclosed when material to the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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

3.1 Critical Management Judgments in Applying Accounting Policies

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

(a) *Impairment of AFS Financial Assets*

The determination when an investment is other-than-temporarily impaired requires significant judgment. In making this judgment, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost, and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flows.

Based on the recent evaluation of information and circumstances affecting the Group's AFS financial assets, management concluded that the AFS financial assets are not impaired as of December 31, 2013 and 2012. Future changes in those information and circumstances might significantly affect the carrying amount of the assets.

(b) *Distinguishing Investment Property, Real Estate Properties for Sale and Owner-managed Properties*

The Group determines whether a property qualifies as investment property. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by an entity.

Owner-occupied properties generate cash flows that are attributable not only to the property but also to other assets used in its operation. Real estate properties for sale are those held by the company for sale in the ordinary course of business.

Some properties comprise a portion that is held to earn rental or for capital appreciation and another portion that is held for administrative purposes. If these portions can be sold separately (or leased out separately under finance lease), the Group accounts for the portions separately. If the portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgment.

(c) *Distinction Between Operating and Finance Leases*

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

(d) *Recognition of Provisions and Contingencies*

Judgment is exercised by management to distinguish between provisions and contingencies. Accounting policies on recognition of provisions and contingencies are discussed in Note 2.12 and disclosures on relevant provisions and contingencies are presented in Note 24.

3.2 Key Sources of Estimation Uncertainty

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

(a) Impairment of Trade and Other Receivables and Due from Related Parties

Adequate amount of allowance for impairment is provided for specific and groups of accounts, where an objective evidence of impairment exists. The Group evaluates these accounts based on available facts and circumstances, including, but not limited to, the length of the Group’s relationship with the customers and counterparties, the customers’ and counterparties’ credit status, average age of accounts, collection experience and historical loss experience.

The carrying amounts of trade and other receivables and the analysis of allowance for impairment on such financial assets are shown in Note 5. No impairment loss was recognized in the Company’s due from related parties based on management assessment.

(b) *Determining Net Realizable Value of Real Estate Properties for Sale*

In determining the net realizable value of real estate inventories, management takes into account the most reliable evidence available at the time the estimates are made. The future realization of the carrying amounts of real estate inventories, as presented in Note 6, is affected by price changes in the different market segments as well as the trends in the real estate industry. These are considered key sources of estimation uncertainty and may cause significant adjustments to the Group's real estate inventories within the next reporting period.

Management determined that the net carrying values of its real estate properties for sale are lower than their net realizable values based on the present market rates. Accordingly, management did not recognize any valuation allowance on these assets as of December 31, 2013 and 2012.

(c) *Estimating Useful Lives of Property and Equipment and Investment Properties*

The Group estimates the useful lives of certain property and equipment and investment properties based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment and investment properties are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. The carrying amounts of property and equipment and investment properties are analyzed in Notes 9 and 10, respectively.

Based on management's assessment as at December 31, 2013 and 2012, there is no change in estimated useful lives of property and equipment and investment properties during those years. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

(d) *Fair Value Measurement for Investment Properties*

Investment property is measured using the cost model. The fair value disclosed in Note 10 is determined by the Group based on the appraisal report prepared by professional and independent appraisers. The fair value 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. Such amount is influenced by different factors including the location and specific characteristics of the property (e.g., size, features, and capacity), quantity of comparable properties available in the market, and economic condition and behavior of the buying parties.

(e) *Determining Realizable Amount of Deferred Tax Assets*

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

The carrying value of deferred tax assets, which management assessed to be fully utilized in the subsequent periods, as of December 31, 2013 and 2012 is disclosed in Note 20.

(f) *Impairment of Non-financial Assets*

In assessing impairment, management estimates the recoverable amount of each asset or a cash-generating unit based on expected future cash flows and uses an interest rate to calculate the present value of those cash flows. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate (see Note 2.17). Though management believes that the assumptions used in the estimation of fair values reflected in the consolidated financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

There is no impairment losses recognized on investments in an associate and property and equipment based on management's evaluation as of December 31, 2013, 2012 and 2011 (see Notes 9 and 11). Impairment loss recognized on investment property is discussed in Note 10.

(g) *Estimated Liability on Property Development Costs*

The Group estimated its liability for property development cost for uncompleted cost for uncompleted residential house and lot sold based on updated budgets and available information and circumstances, as well as previous experience. The Estimated liability for property development cost is presented as part of Trade and Other Payables in the consolidated statement of financial position (see Note 14).

(h) *Valuation of Post-employment Defined Benefit Plan*

The determination of the Group's obligation and cost of pension and other retirement benefits is dependent on the selection of certain assumptions used by the actuary in calculating such amounts. Those assumptions include, among others, discount rates and salary increase rates. In accordance with PFRS, actual results that differ from the assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligation in such future periods.

The amounts of post-employment defined benefit obligation and expense and an analysis of the movements in the estimated present value of post-employment defined benefit obligation are presented in Note 19.2(b).

(i) *Fair Value Measurement of AFS Financial Asset*

Management applies valuation techniques to determine the fair value of financial instruments where active market quotes are not available. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument. Where such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

4. CASH AND CASH EQUIVALENTS

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

	2013	2012
Cash on hand and in banks	**P1,069,748,242**	P 427,967,977
Short-term placements	**54,557,965**	1,064,251,029
	P1,124,306,207	P1,492,219,006

Cash in banks generally earn interest based on daily bank deposit rates.

Short-term placements are made for varying periods of between 30 to 90 days and earn effective interest ranging from 1.3% to 4.9% in 2013 and 1.6% to 3.9% in 2012. Interest income from cash in banks and short-term placements is recognized as part of Finance Income under Other Income (Charges) in the consolidated statements of comprehensive income (see Note 18.2).

5. TRADE AND OTHER RECEIVABLES

The balance of this account is composed of the following as of December 31:

	Note	2013	2012
Trade receivables from tenants:			
Third party		**P 396,789,050**	P 146,463,126
Related parties under common ownership	21.5	**440,893,938**	471,713,754
		837,682,988	618,176,880
Other receivables	21.6(b)	**29,908,943**	32,264,059
		867,591,931	650,440,939
Allowance for impairment		**(21,606,745)**	(20,163,209)
		P 845 985 186	P 630 277 730

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

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

A reconciliation of the allowance for impairment at the beginning and end of 2013 and 2012 is shown below.

	Note	2013	2012
Balance at beginning of year		**P 20,163,209**	P -
Balance carried from a new subsidiary		**-**	101,541,604
Impairment loss during the year	18.1	**1,443,536**	19,531,612
Write-off of receivables previously provided with allowance		**-**	(100,910,007)
Balance at end of year		**P 21,606,745**	P 20,163,209

6. REAL ESTATE PROPERTIES FOR SALE

Real estate properties for sale at the end of 2013 and 2012 are stated at cost, the details of which are shown below.

	2013	2012
Residential units for sale	**P 348,511,052**	P 296,757,432
Property development costs	**200,578,074**	252,539,782
Land for future development	**166,467,236**	166,467,236
	P 715,556,362	P 715,764,450

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.

A portion of the raw land which is recorded as part of Property development costs was fully developed during the year. This amounted to P55.9 million and was reclassified to Residential units for sale. There was no similar transaction in 2012.

In 2013, the Company bought back certain subdivision lot at a cost of P1.9 million from a former customer and currently holds it for resale. Similarly, in 2012, the Group bought back a certain subdivision lot from a local bank at a cost of P2.9 million. In prior year, the ownership of the said lot was transferred by the Group to a local bank as a consideration to extinguish its obligation in the form of *dacion en pago*.

Property development costs represent the accumulated costs incurred in developing the real estate properties for sale.

The estimated development costs related to residential units which are sold but not yet completed as of December 31, 2013 and 2012 is presented as Estimated liability on property development cost under Trade and Other Payables in the consolidated statements of financial position (see Note 14).

7. AVAILABLE-FOR-SALE FINANCIAL ASSETS

The breakdown of this account is as follows:

	2013	2012
Current:		
Debt securities	**P 630,035,640**	P -
Equity securities	**273,003,491**	-
	903,039,131	-
Non-current –		
Equity securities	**3,204,170**	29,157,295
	P 906,243,301	P 29,157,295

The reconciliation of the carrying amounts of AFS financial assets are as follows:

	2013	2012
Balance at beginning of year	**P 29,157,295**	P 19,559,375
Balance carried from a new subsidiary	**-**	3,204,170
Additions	**950,750,000**	-
Impairment loss	**(25,953,125)**	-
Fair value gains (losses) – net	**(47,710,869)**	6,393,750
Balance at end of year	**P 906,243,301**	P 29,157,295

The fair values of the investments in AFS financial assets have been determined directly by reference to published prices in an active market (see Note 27.2).

In 2013, certain equity securities amounting to P26.0 million were assessed by management to be no longer recoverable; hence, an impairment loss equivalent to its cost was recognized and presented as part of Other Income (Charges) in the 2013 consolidated statement of comprehensive income. The fair value gain on AFS financial assets previously recognized as other comprehensive income was reversed during the year as a result of the impairment.

The AFS financial assets classified as current assets in the 2013 statement of financial position is intended by management to be disposed within 12 months from the end of the reporting period.

8. PREPAYMENTS AND OTHER ASSETS

The composition of this account is composed of the following as of December 31:

	Notes	2013	2012
Current:			
Input VAT		**P 385,295,898**	P 334,780,940
Advances to contractors, brokers and others		**266,315,892**	45,826,776
Creditable withholding taxes		**29,153,593**	25,986,841
Short-term installment contracts receivable	8.1, 21.4(d)	**28,496,184**	28,420,485
Prepayments		**23,275,630**	23,273,484
Reserve fund		**19,710,303**	-
Advances to officers and employees		**8,463,806**	12,904,486
Others		**6,498,611**	1,746,211
		767,209,917	472,939,223
Allowance for impairment		**(19,631,591)**	(18,900,936)
		747,578,326	454,038,287
Non-current:			
Refundable deposits		**56,302,065**	38,519,778
Long-term installment contracts receivable	8.2	**62,979,641**	68,912,107
Others		**546,946**	-
		119,828,652	107,431,885
		P 867,406,978	P 561,470,172

Reserve fund represents the fund established by MAPI in 2013 in accordance with a loan agreement with a local bank. The fund earns effective interest ranging from 0.25% to 2.00% [see Note 15.1(b)].

A reconciliation of the allowance for impairment at the beginning and end of 2013 and 2012 is shown below.

	Note	2013	2012
Balance at beginning of year		**P 18,900,936**	P 13,819,579
Impairment loss during the year	18.1	**730,655**	5,081,357
Balance at end of year		**P 19,631,591**	P 18,900,936

8.1 Short-term Installment Contracts Receivable

Short-term installment contracts receivable represents the current portion of the Group's installment contracts receivable. The balance of the account as of December 31, 2013 and 2012 also includes receivables arising from the sale of residential units that are internally financed by the Group under deferred cash payment arrangements.

Portion of the short-term installment contracts receivable with a total amount of P11.3 million as of December 31, 2013 and 2012 is used as collateral for the Group's interest-bearing loans [see Note 15.1(c)].

8.2 Long-term Installment Contracts Receivable

This account principally consists of amounts arising from the sale of residential units that are noninterest-bearing and collectible within 2 to 10 years. These receivables are remeasured at amortized cost using the effective interest equivalent to prevailing market rates. Also included in this account are those arising from the internal financing arrangement of the Group for the sale of its residential units.

The corresponding titles to the real estate properties sold under installment contracts (both short-term and long-term) are transferred to the buyers only upon full payment of the contract price, effectively using the sold units as security for the installment contracts receivables.

The Group recognized interest income in 2013, 2012 and 2011 amounting to P3.5 million, P4.2 million and P0.3 million, respectively, representing the amortization of discounts on these long-term installment contract receivables; the amounts are shown as part of Finance Income under Other Income (Charges) in the consolidated statements of comprehensive income (see Note 18.2). The balance of the non-current portions of the installment contracts receivables is presented as Long-term installment contracts receivable under the Other Non-current Assets in the consolidated statements of financial position.

9. PROPERTY AND EQUIPMENT

The gross carrying amounts and accumulated depreciation of property and equipment at the beginning and end of 2013 and 2012 are shown below.

	Building and Improvements	Office and Other Equipment	Transportation Equipment	Construction Equipment	Total
December 31, 2013					
Cost	P 171,341,602	P 288,931,573	P 3,703,692	P 37,962,714	P 501,939,581
Accumulated depreciation and amortization	(36 886 613)	(126 868 467)	(2 239 371)	(17 425 274)	(183 419 725)
Net carrying amount	**P 134,454,989**	**P 162,063,106**	**P 1,464,321**	**P 20,537,440**	**P 318,519,856**
December 31, 2012					
Cost	P 143,876,896	P 80,886,302	P 1,895,036	P 37,962,714	P 264,620,948
Accumulated depreciation and amortization	(4 350 147)	(9 742 891)	(1 240 789)	(9 832 732)	(25 166 559)
Net carrying amount	P 139 526 749	P 71 143 411	P 654 247	P 28 129 982	P 239 454 389
January 1, 2012					
Cost	P -	P 404,806	P 982,936	P 34,971,643	P 36,359,385
Accumulated depreciation and amortization	-	(91 014)	(300 342)	(2 332 451)	(2 723 807)
Net carrying amount	P -	P 313 792	P 682 594	P 32 639 192	P 33 635 578

A reconciliation of the carrying amounts of property and equipment at the beginning and end of 2013 and 2012 is shown below.

	Building and Improvements	Office and Other Equipment	Transportation Equipment	Construction Equipment	Total
Balance at January 1, 2013, net of accumulated depreciation and amortization	P 139,526,749	P 71,143,411	P 654,247	P 28,129,982	P 239,454,389
Additions	2,487,493	122,321,607	1,808,656	-	126,617,756
Retirement	(1,028,128)	(2,041,361)	-	-	(3,069,489)
Depreciation and amortization charges for the year	(6 531 125)	(29 360 551)	(998 582)	(7 592 542)	(44 482 800)
Balance at December 31, 2013, net of accumulated depreciation and amortization	**P 134,454,989**	**P 162,063,106**	**P 1,464,321**	**P 20,537,440**	**P 318,519,856**
Balance at January 1, 2012, net of accumulated depreciation and amortization	P -	P 313,792	P 682,594	P 32,639,192	P 33,635,578
Balance carried from a new subsidiary	140,730,564	11,964,448	-	-	152,695,012
Additions	3,146,332	68,517,048	912,100	2,991,071	75,566,551
Depreciation amortization charges for the year	(4 350 147)	(9 651 877)	(940 447)	(7 500 281)	(22 442 752)
Balance at December 31, 2012, net of accumulated depreciation and amortization	P 139 526 749	P 71 143 411	P 654 247	P 28 129 982	P 239 454 389

10. 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 P1,263.6 million and P1,192.8 million in 2013 and 2012, respectively, are presented as Rental income under Revenues and Income in the 2013 and 2012 consolidated statements of comprehensive income. There was no similar transaction in 2011.

Direct costs incurred generally pertain to depreciation charges and real property taxes. Real property tax related to investment property amounting to P43.3 million, P44.0 million and P0.6 million were recognized as part of Taxes and Licenses in the consolidated statements of comprehensive income. Depreciation charges amounted to P534.1 million, P421.1 million and P0.9 million in 2013, 2012 and 2011, respectively, and are presented as part of Depreciation and Amortization in the consolidated statements of comprehensive income.

The composition of this account is shown below.

	2013	2012
Land	**P 8,293,665,748**	P 8,175,526,800
Building and improvements, net of accumulated depreciation	**7,562,831,360**	7,600,904,648
Commercial building under construction	**532,957,092**	269,012,785
	P16,389,454,200	P16,045,444,233

The changes in the carrying amounts of investment property presented in the consolidated statements of financial position are summarized below.

	Land	Building and Improvements	Commercial Building Under Construction	Total
Balance at January 1, 2013, net of accumulated depreciation and amortization	P 8,175,526,800	P 7,600,904,648	P 269,012,785	P16,045,444,233
Additions	118,138,948	589,694,492	348,724,263	1,056,557,703
Retirements	-	(178,497,628)	-	(178,497,628)
Reclassifications	-	84,779,956	(84,779,956)	-
Depreciation and amortization charges for the year	-	(534 050 108)	-	(534 050 108)
Balance at December 31, 2013, net of accumulated depreciation and amortization	**P 8,293,665,748**	**P 7,562,831,360**	**P 532,957,092**	**P16,389,454,200**
Balance at January 1, 2012, net of accumulated depreciation and amortization	P 2,656,025,838	P 2,421,540	P 508,269,944	P 3,166,717,322
Balance carried from new subsidiary	5,281,400,000	6,615,556,741	349,084,002	12,246,040,743
Additions	244,160,929	247,036,851	568,698,200	1,059,895,980
Reclassification	-	1,157,039,361	(1,157,039,361)	-
Impairment	(6,059,967)	-	-	(6,059,967)
Depreciation and amortization charges for the year	-	(421,149,845)	-	(421,149,845)
Balance at December 31, 2012, net of accumulated depreciation, amortization and impairment	P 8 175 526 800	P 7 600 904 648	P 269 012 785	P16 045 444 233

Commercial building under construction pertains to accumulated costs incurred in the development of certain commercial buildings. Capitalized borrowing costs amounting to P47.8 million in 2013 and P41.2 million in 2012 representing the actual borrowing costs incurred on loans obtained to fund the construction project are included as part of the costs of Investment Property (see Note 15.2).

Investment property with total carrying amount of P1,299.2 million as of December 31, 2012 are used as collaterals for loans obtained from local creditor banks (see Note15.1).

10.1 Investment Property Owned by the Company

The Company's investment property has a carrying amount of P5.1 million as of December 31, 2013 and 2012. This consists of parcels of land located in Valenzuela City with a total land area of 31,070 square meters. The investment property is being held for capital appreciation.

In 2012, the Company recognized an impairment loss on a parcel of land located in Caloocan City as the Company's management has assessed that no future cash flows are expected to be generated from such asset. The impairment loss amounting to P6.1 million, which is equal to the carrying amount of the impaired asset, is presented as Impairment loss on investment property under Other Operating Expenses in the 2012 consolidated statement of comprehensive income (see Note 17.2). There was no impairment loss recognized in 2013 and 2012.

The fair value of the remaining investment property in Valenzuela as of December 31, 2013 amounted to P59.5 million based on the latest appraisal report dated December 17, 2012 as determined by an independent firm of appraisers (see Note 10.5).

10.2 Investment Property Owned by MAPI

MAPI's investment property includes parcels of land in various locations, a commercial building in San Jose del Monte City, Bulacan which is currently held for lease and commercial buildings under construction which are owned primarily to earn rental income in the future. Also, in 2013, MAPI acquired certain parcels of land in various locations at a cost of P49.2 million for future establishment of commercial properties.

MAPI's land located in Bacoor, Cavite was contributed by two of its former major shareholders as consideration for their subscription to MAPI's shares of stock. The cost of acquisition and development of approximately 177,746 square meters of the said property amounting to P2.6 billion as of December 31, 2013 and 2012 is presented as part of Investment Property and is currently being developed by the Group as a commercial center that will be available for lease in the future.

The land located in San Jose del Monte, Bulacan amounting to P52.5 million, which represents its purchase price, was acquired in 2011 from Household Development Corporation (HDC), a related party under common ownership [see Note 13 and 21.4(a)].

The commercial building under construction on the land located in Bulacan will be held for future lease. The accumulated costs amounting to P1,272.3 million and P871.8 million as of December 31, 2013 and 2012, respectively, include borrowing costs of P47.8 million in 2013 and P22.5 million in 2012 representing the actual borrowing costs incurred on interest-bearing loans and short-term borrowings obtained to fund the construction (see Note 15). The capitalization rate used was 5.7% in 2013 and 8.0% in 2012.

In 2012, the Group reclassified portion of commercial building under construction to building and improvements amounting to P786.4 million representing the completion of Phase 1 of the commercial building which is already available for lease. MAPI has started its mall operations in April 2012. Phase 2 of the construction of the commercial building is still in progress as of December 31, 2013.

The Group's investment property generates rental income under various operating lease agreements. Rental income from this investment property amounting to P107.3 million in 2013 and P63.9 million in 2012 is presented as part of Rental income in the consolidated statements of comprehensive income.

In 2013 and 2012, direct costs incurred on the investment property which generally pertain to depreciation charges, amounted to P13.3 million and P11.1 million, respectively, and are presented as part of Depreciation and amortization in the statement of comprehensive income. The real property tax related to the investment property amounting to P3.9 million in 2013 and P0.5 million in 2012 is recognized as part of Taxes and Licenses account in the statement of comprehensive income.

10.3 Investment Property owned by BEC

Investment property owned by BEC includes a commercial building, which is held to earn rental income, and the related improvements which have a carrying amount of P1.3 million and P1.9 million as of December 31, 2013 and 2012, respectively. Presently, BEC is looking for additional prospective lessees to lease out the property.

10.4 Investment Property Owned by Manuela

The investment property of Manuela, with a total carrying amount of P12.2 billion as of December 31, 2013 and 2012, includes several parcels of land and buildings and improvements located in Mandaluyong City (Starmall EDSA – Shaw and Worldwide Corporate Center), Las Piñas City (Starmall Las Piñas and Starmall Las Piñas – Annex) and Muntinlupa City (Starmall Alabang). Part of the cost of buildings and improvements is the capitalized borrowing cost amounting to P20.1 million in 2012 (nil in 2013), respectively (see Note 15). These properties are owned and held primarily to earn rental income. The capitalization rate used was 8.0% in 2012.

10.5 Fair Value of Investment Property

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 December 31, 2013.

	Land	Buildings and Improvements	Total
Company –			
Land in Valenzuela City	P 59,536,000	P -	P 59,536,000
MAPI:			
Land in Bacoor, Cavite	2,835,928,000	-	2,835,928,000
Land in San Jose del Monte, Bulacan	168,000,000	934,199,000	1,102,199,000
Land in Mandaluyong City	186,000,000	-	186,000,000
BEC –			
Commercial building	-	1,281,992	1,281,992
Manuela:			
Starmall Alabang	2,276,000,000	3,559,751,000	5,835,751,000
Starmall EDSA-Shaw	2,848,000,000	1,212,256,000	4,060,256,000
Starmall Las Piñas	261,900,000	354,445,000	616,345,000
Starmall Las Piñas-Annex	107,800,000	95,546,000	203,346,000
Worldwide Corporate Center	-	1 989 865 000	1 989 865 000
	P 8 743 164 000	P 8 147 343 992	P 16 890 507 992

11. INVESTMENT IN AN ASSOCIATE

The details of the investment account as of December 31 are shown below.

	2013	2012
Investment in VLL:		
Acquisition cost	**P 1,906,228,900**	P 1,906,228,900
Unrealized gain on share swap	**(286,374,372)**	(286,374,372)
Excess of fair value over cost	**516,508,944**	516,508,944
	2,136,363,472	2,136,363,472
Accumulated equity in net earnings:		
Balance at beginning of year	**1,115,237,197**	835,212,722
Equity in net earnings	**113,923,650**	344,633,001
Dividends received	**-**	(64,608,526)
	1,229,160,847	1,115,237,197
Accumulated disposals:		
Balance at beginning of year	**(1,571,638,044)**	-
Disposals during the year	**(1,793,886,275)**	(1,571,638,044)
	(3,365,524,319)	(1,571,638,044)
	P -	P 1,679,962,625

In September 2012, the Company sold 378,100,000 shares of its investment in VLL, with a carrying amount of P1,571,638,044, for a total consideration of P1,536,478,845.

In May 2013, the Company sold the remaining 399,397,000 shares of its investment in VLL, with the carrying amount of P1,793,886,275, for a total consideration of P2,787,823,060 (see Note 21.3).

The Group recognized a gain of P993,936,785 in 2013 and a loss of P35,159,199 in 2012 which are presented as Gain (Loss) on Disposal of Investment in an Associate under Other Income (Charges) in the consolidated statements of comprehensive income.

In 2012 and 2011, the Company earned cash dividends from its investment in VLL amounting to P64.6 million and P81.6 million, respectively. There was no dividends earned in 2013 by the Company before the sale of the remaining shares of VLL.

12. GOODWILL

The Company's acquisitions of equity interests in its subsidiaries gave rise to goodwill or negative goodwill. The goodwill amounts were treated as adjustments to the net assets of the acquired subsidiaries, or as adjustment to the subsidiaries' undivided land deemed to be overvalued at the date of acquisition. Negative goodwill, on the other hand, is recognized directly in profit or loss in the statement of comprehensive income.

The excess (deficiency) of the acquisition costs over the Company's share in the fair value of the identifiable net assets of the following subsidiaries is summarized as follows:

	Year Acquired	Excess (Deficiency) of Cost Over Net Assets (Negative Goodwill)	Treated as Adjustment to Assets	Recognized directly in profit or loss
Manuela	2012	(P 9,317,886,860)	P -	P 9,317,886,860
BEC	2004	79,084,617	79,084,617	-
MAPI	2004	24,879,081	24,879,081	-

In 2012, the Company acquired 98.4% ownership interest in Manuela through a share swap with Manuela's former stockholders in exchange for 3,533,569,997 of its own shares at a total subscription price of P4,527,396,641 (see Note 22.1).

For purposes of computing the corresponding negative goodwill arising from the acquisition of 98.4% ownership interest in Manuela, the Company obtained the fair value of the identifiable net assets of the Manuela as of June 30, 2012 even though the Company acquired Manuela on June 22, 2012 since there was no available financial data at the time of acquisition. Management believes that the June 30, 2012 data used will not materially differ had the Company used financial data at the date of acquisition.

The details of the Company's proportionate share in the acquisition date fair value of the identifiable net assets of Manuela as of June 30, 2012 are shown below.

Current assets	P 2,235,007,833
Property and equipment	156,911,818
Investment property	12,133,687,713
Other assets	1,231,634,154
	15,757,241,518
Liabilities	(1,911,958,017)
	P 13,845,283,501

Negative goodwill amounting to P9.3 billion, representing the excess of the Company's share in the fair value of the identifiable net assets of Manuela at the date of acquisition over the acquisition cost, was recognized directly in profit or loss in the 2012 consolidated statement of comprehensive income under Other Income (Charges) as Income from acquisition of a subsidiary.

13. LIABILITY FOR LAND ACQUISITION

Liability for land acquisition represents the outstanding payable as of December 31, 2013 and 2012 relating to the Group's acquisition of certain parcels of land.

In 2011, the Group entered into a Contract to Sell (CTS) with HDC to purchase a parcel of land located in San Jose, Bulacan to be developed by the Company as commercial property in the future (see Note 8). Total contract price amounted to P52.5 million, out of which P5.3 million was paid upon execution of the CTS and the balance payable in quarterly payments over a period of five years commencing on January 15, 2012. The liability for land acquisition is noninterest-bearing and measured at amortized cost using the effective interest rate method. The discount rate of 5.70% was determined by reference to prevailing interest rates on similar borrowings. The liability for land acquisition is noninterest-bearing and measured at amortized cost using the effective interest rate method. The discount rate of 5.70% was determined by reference to prevailing interest rates on similar borrowings. As of December 31, 2013, the Company has paid 25% of the total purchase price and the title to the land has already been transferred to the Company.

In 2013 and 2012, the Group amortized interest costs relating to this transaction amounting to P1.1 million and P2.2 million which is represented as part of Finance costs under Other Income (Charges) in the consolidated statements of comprehensive income (see Note 18.1).

The breakdown of the noninterest-bearing Liability for land acquisition presented as part of Liability for land acquisition in the consolidated statements of financial position is as follows:

	Current	Non-current	Total
December 31, 2013			
Principal amount	P 20,483,580	P 18,907,920	P 39,391,500
Unamortized discount	(1,234,678)	(1,058,295)	(2,292,973)
Balance at end of year	**P 19 248 902**	**P 17 849 625**	**P 37 098 527**
December 31, 2012			
Principal amount	P 18,907,920	P 28,361,880	P 47,269,800
Unamortized discount	(1,705,031)	(2,292,973)	(3,998,004)
	P 17,202,889	P 26,068,907	P 43,271,796

Moreover, in 2005, the Group purchased a parcel of land located in Dasmariñas, Cavite to be developed as a residential community. The parcel of land is presented as part of Real Estate Properties for Sale in the consolidated statements of financial position. The outstanding liability arising from this transaction as of December 31, 2013 and 2012 amounted to P2.4 million and is presented as part of Liability for land acquisitions in the consolidated statements of financial position.

The total liabilities for land acquisition arising from the above mentioned transaction are classified in the consolidated statements of financial position as follows:

	2013	2012
Current	**P 21,685,532**	P 19,639,519
Non-current	**17,849,625**	26,068,907
	P 39,535,157	P 45,708,426

14. TRADE AND OTHER PAYABLES

This account consists of:

	Notes	**2013**	2012
Trade payables		**P 358,064,198**	P 214,001,507
Accrued rentals		**253,023,867**	274,589,040
Construction payable		**131,758,912**	64,370,459
Deferred output VAT		**131,371,837**	107,614,528
Retention payable		**65,079,940**	75,701,971
Estimated liability on property development cost	6	**50,579,827**	45,907,516
Accrued expenses	15.1, 21.4(b)	**9,057,336**	40,499,972
Other payables		**176,933**	10,165,165
		P 999,112,850	P 832,850,158

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

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.

15. INTEREST-BEARING LOANS AND BORROWINGS

The details of the interest-bearing loans and borrowings are as follows:

	Note	**2013**	2012
Current:			
Regular loans:	15.1		
BDO Unibank, Inc. (BDO)	(a)	**P 106,324,222**	P 44,444,444
Asia United Bank (AUB)	(b)	**105,000,000**	52,500,000
Planters Development Bank (PDB)	(a), (c)	**80,859,934**	3,641,705
RCBC	(c)	**1,951,982**	1,451,774
Union Bank of the Philippines	(c)	**-**	713,179
		294,136,138	102,751,102
Short-term borrowing – Various individuals	15.2	**-**	16,000,000
		294,136,138	118,751,102
Non-current:			
Regular loans:	15.1		
AUB	(b)	**262,500,000**	367,500,000
PDB	(a)	**278,808,750**	208,000,000
BDO	(a)	**262,308,444**	55,555,556
RCBC	(b), (c)	**673,822,342**	1,506,102
Union Bank	(c)	**-**	1,471,033
		1,477,439,536	634,032,691
		P1,771,575,674	P 752,783,793

15.1 Regular Loans

(a) Loans of Manuela

In 2013 and 2012, the Company obtained various loans from BDO and PDB totalling P308.0 million 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 Worldwide Corporate Center. The loans have maturities from October 2014 to February 2020 and bear an annual interest rates ranging from 7.0% to 7.25%. The current portion of the outstanding balance amounting to P183.1 million and P44.4 million as at December 31, 2013 and 2012, respectively, and the non-current portion amounting to P541.1 million and P263.6 million as at December 31, 2013 and 2012, respectively, are presented as part of current and non-current portion of Interest-bearing Loans and Borrowings account, respectively, in the consolidated statements of financial position.

Certain properties with carrying value of P1,247.4 million are used as a third party real estate mortgage for the secured long-term loan obtained from PDB (see Note 10).

(b) *Loans of MAPI*

In 2013, MAPI entered into a term loan agreement with RCBC for a total credit line of P2.7 billion. As at December 31, 2013, P685.0 million has been drawn from this secured facility to finance the construction of various ongoing projects of MAPI. The loans have maturities beginning December 2015 to August 2020 and bear an annual interest rate of 5.75%. The outstanding balance, net of unamortized capitalized transaction costs, is presented as Interest-bearing Loans and Borrowings in the non-current liabilities section of the 2013 consolidated statement of financial position.

In addition, certain creditor bank 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 accordance with the agreement, MAPI maintains a reserve fund amounting to P19.7 million as at December 31, 2013, which is presented as part of Prepayments and other current assets in the 2013 consolidated statement of financial position (see Note 8).

In 2012, MAPI obtained a loan from AUB amounting to P420.0 million to finance the construction of SJDM. The loan is due to be settled until 2017 and bear an annual interest rate of 5.70%. The outstanding balance, net of unamortized capitalized transaction costs, is presented as part of Interest-bearing Loans and Borrowings in the current and non-current liabilities section of the consolidated statements of financial position.

Total finance costs attributable to these loans, including amortization of capitalized transaction costs, amounted to P8.6 million and P2.3 million in 2013 and 2012, respectively, and are presented as part of Finance Costs under Other Income (Charges) in the consolidated statements of comprehensive income (see Note 18.1). Unpaid interests as at December 31, 2013 and 2012 are presented as part of Accrued expenses under the Trade and Other Payables in the consolidated statements of financial position (see Note 14).

Certain investment property with carrying amount of P24.8 million is used as collateral for the secured long-term loan (see Note 10).

(c) *Loans of BEC*

Interest-bearing loans represent secured loans obtained from various commercial banks using the credit line of Brittany Corporation (BC), a related party under common ownership [see Note 21.4(c)]. The loans were obtained in 2010 exclusively to finance the Company's on-going projects and are payable up to 2019 at annual interest rates ranging from 10.25% to 13.00%.

Certain short-term installment contracts receivable amounting to P11.3 million are used as collaterals for the bank loans (see Note 8.1).

(d) Interest Expense from Regular Loans

Interest expense recognized in 2013, 2012 and 2011 amounting to P24.1 million, P4.3 million and P0.6 million, respectively, are presented as part of Finance Costs under Other Income (Charges) in the consolidated statements of comprehensive income (see Note 18.1). The outstanding interest payable as of December 31, 2013, 2012 and 2011 amounting to P0.5 million, P0.2 million and P0.4 million, respectively, are presented as part of Accrued Expenses under Trade and Other Payables account in the consolidated statements of financial position (see Note 14).

15.2 Short-term Borrowings

In 2011, MAPI obtained unsecured short-term promissory notes from various third parties amounting to P81.0 million which bear an annual interest of 9%. These are raised to finance the construction of the commercial building in San Jose del Monte. As of December 31, 2012, P16.0 million of the balance of these short-term borrowings remains unpaid. Total interest expense incurred amounted to P1.5 million in 2013, P1.3 million in 2012 and P0.9 million in 2011, which was capitalized as part of cost of commercial building (see Note 10).

16. OTHER NON-CURRENT LIABILITIES

The composition of this account is shown below.

	2013	2012
Security deposits	**P 437,765,716**	P 411,486,575
Customer deposits	**3,734,735**	4,671,480
Construction bond	**2,259,222**	2,859,710
Miscellaneous	**11,224,377**	22,710,175
	P 454,984,050	P 441,727,940

Security deposits pertain to the three-month advance rental deposits paid by the lessees as required under the lease contracts, which will be refunded upon termination of the lease term or applied to unpaid rentals and damages.

Customer deposits represent the initial payments received from buyers of residential units. The Group initially records the amounts received from the buyers as such until the total deposits reach 15% to 20% of the contract price, at which point, the revenue and related installment contract receivables arising from such sale are recognized and the deposits are treated as partial collections of the unit contract price (see Note 2.13).

Miscellaneous liabilities include those relating to transfer taxes, registrations and other expenses required to be settled by the Group upon full payment of the houses and lots.

17. OTHER OPERATING INCOME AND EXPENSES

Presented below are the details of other operating income and expenses for the years ended December 31:

17.1 Other Operating Income

	2013	2012	2011
Penalties and interest charges to tenants	**P 11,454,254**	P 16,852,237	P -
Advertising	**10,915,060**	10,149,347	-
Waterbill recharges	**8,582,269**	7,636,445	-
Hauling services	**7,894,020**	16,227,754	-
Restroom fee	**7,643,759**	4,487,100	-
Realized gross profit on real estate sales	**6,152,501**	27,291,650	1,989,560
Pest control fees	**5,756,037**	5,078,692	-
Scrap sales	**5,612,904**	668,315	-
Management fee	**5,117,143**	-	-
Liquified petroleum gas sale	**4,429,303**	5,567,437	-
Gain on derecognition of liabilities	**3,936,771**	13,483,023	-
Sale of beverages	**3,219,485**	1,076,981	-
Security postings	**3,129,071**	2,345,620	-
Gain on reversal of allowance for impairment on creditable withholding taxes	**-**	8,561,700	-
Service income	**-**	897,051	3,206,196
Miscellaneous	**11,857,924**	7,644,838	-
	P 95,700,501	P127,968,190	P 5,195,756

Miscellaneous income is composed of incidental income from pest control, tenants pass, grease trap and others relating to the Group's lease of commercial spaces.

17.2 Other Operating Expenses

	Note	**2013**	2012	2011
Representation and entertainment		**P 8,769,523**	P 8,554,217	P 2,478,790
Supplies		**5,083,232**	3,822,918	-
Security services		**3,593,940**	13,609,605	3,901,303
Subdivision maintenance		**2,818,804**	-	-
Listing fee		**2,609,165**	1,035,280	2,240,000
Transportation and travel		**2,598,704**	7,638,956	3,022,143
Rehabilitation expense		**2,168,702**	17,245,866	-
Documentation fee		**1,779,661**	1,164,797	-
Commission		**1,659,385**	535,454	-
Garbage fee		**1,372,941**	964,107	-
Registration fees		**740,902**	1,033,332	-
Meetings and conferences		**424,443**	499,449	-
Communication		**181,286**	5,808,485	-
Dues and subscriptions		**165,242**	48,123	-
Penalties and surcharges		**87,000**	-	-
Training		**53,268**	397,624	-
Donation		**42,000**	50,500	-
Mortgage fee		**26,494**	4,143,241	-
Impairment loss on investment property	10.1	**-**	6,059,967	-
Loss on backout sales		**-**	-	13,011,003
Miscellaneous		**6,962,816**	6,140,584	9,323,959
		P 41,137,508	P 78,752,505	P 33,977,198

Miscellaneous expenses include commission expense, bank charges and postage and telegram expenses.

18. OTHER INCOME (CHARGES)

Presented below are the details of other charges and income.

18.1 Finance Costs

	Notes	2013	2012 (As restated - see Note 2.2)	2011 (As restated - see Note 2.2)
Interest expense on regular loans, short-term borrowings and liability for land acquisition	13, 15	**P 26,714,405**	P 4,290,431	P 557,518
Impairment loss on trade receivables and other current assets	5, 8	**2,174,191**	24,612,969	9,722,978
Impairment loss on AFS		**289,885**	-	-
Net interest cost on post-employment defined benefit obligation	19.2	**1,176,357**	288,000	276,200
Foreign currency losses – net		**-**	3,849,374	-
		P 30,354,838	P 33,040,774	P 10,556,696

18.2 Finance Income

	Notes	2013	2012	2011
Interest income from bank deposits and short-term placements	4	**P 14,143,796**	P 12,826,265	P 1,829,281
Amortization of discount on long-term installment contract receivables	8.2	**3,546,118**	4,185,398	342,913
Foreign currency gains – net		**3,835,091**	-	36,492
		P 21,525,005	P 17,011,663	P 2,208,686

18.3 Other Charges

	2013	2012	2011
Commission	**P 1,250,000**	P -	P -
Assessment and listing fee	**-**	28,301,164	-
Professional fees	**-**	24,348,667	-
Documentary stamp tax	**-**	2,855,603	-
Others	**310,779**	-	-
	P 1,560,779	P 55,505,434	P -

Other charges account in the 2013 and 2012 consolidated statements of comprehensive income pertains to costs incurred by the Group from transactions entered into other than the Group's normal operations.

In 2012, the Group incurred P23.2 million SEC assessment fee for the execution of the Company's increase in authorized capital stock. The Group incurred an additional PSE listing fee of P5.1 million representing its newly issued shares of stock. These expenses are presented as Assessment and Listing Fees under Other Charges in the 2012 statement comprehensive income.

Professional fees compose mainly of the costs of legal services rendered by a professional service firm to the Company in relation to the Company's future plan of offering new shares of stock to the public.

Documentary stamp taxes amounting to P2.9 million incurred in 2012 pertain to the payment of the registration of Manuela's shares in the name of the Company.

Commissions incurred in 2013 arose from the sale of VLL shares.

19. EMPLOYEE BENEFITS

19.1 Salaries and Employee Benefits

The expenses recognized for salaries and employee benefits are summarized below.

	Note	**2013**	2012	2011
Short-term benefits		**P 97,922,436**	P 88,663,503	P 7,824,158
Post-employment expense	19.2(b)	**2,091,761**	3,602,185	9,775,800
		P 100,014,197	P 92,265,688	P 17,599,958

19.2 Post-employment Defined Benefit Plan

(a) Characteristics of the Defined Benefit Plan

The Company is yet to establish a tax-qualified, non-contributory post-employment defined benefit plan covering all regular and full-time employees. The Company obtains actuarial valuation annually to determine and recognize its post-employment defined benefit obligation and related post-employment defined benefit expense. The Company's post-employment benefit obligation is based on the amount determined by the independent actuary.

The normal retirement age of the Group's employee's is 60 with a minimum of 5 years of credited service. Normal retirement benefit is an amount equivalent to one-half's month salary for every year of credited service.

(b) Explanation of Amounts Presented in the Financial Statements

Actuarial valuations are made annually to update the retirement benefit costs. All amounts presented below and in the succeeding pages are based on the actuarial valuation report obtained from an independent actuary in 2013 including the comparative year.

The present value of the post-employment defined benefit obligation recognized in the statements of financial position amounted to P37.3 million and P26.9 million as at December 31, 2013 and 2012, respectively.

The movements in the present value of the post-employment defined benefit obligation recognized in the books are as follows:

		2013		2012 (As restated - see Note 2.2)
Balance at beginning of year	**P**	**26,874,314**	P	13,757,770
Balance carried from a new subsidiary		**-**		8,941,454
Current service cost		**2,091,761**		3,602,185
Interest cost		**1,176,357**		288,000
Actuarial gains recognized during the year		**-**	(	159,025)
Remeasurements:				
Actuarial losses (gains) arising from:				
Changes in financial assumptions		**5,220,596**		779,200
Changes in demographic assumptions	**(**	**4,694,323)**	(	416,800)
Experience adjustments		**6,669,494**		41,600
	P	**37,338,199**	P	26,874,314

The components of amounts recognized in profit or loss and in other comprehensive income in respect of the defined benefit plan are as follows:

		2013		2012		2011
Recognized in profit or loss:						
Current service costs	**P**	**2,091,761**	P	3,602,185	P	9,775,800
Interest cost		**1,176,357**		288,000		276,200
	P	**3,268,118**	P	3,890,185	P	10,052,000
Recognized in other comprehensive income:						
Actuarial losses (gains) arising from:						
Changes in financial assumptions	**P**	**5,220,596**	P	779,200	P	1,616,500
Changes in demographic assumptions	**(**	**4,694,323)**	(	416,800)		61,000
Experience adjustments		**6,669,494**		41,600	(	854,800)
	P	**7,195,767**	P	404,000	P	822,700

The interest cost is presented as part of Finance Cost under Other Income (Charges) in the statements of comprehensive income (see Note 18.1).

In determining the amounts of the post-employment defined benefit obligation, the following actuarial assumptions were used:

	2013	2012
Expected rate of salary increase	**7.0% to 11.0%**	7.0% to 11.0%
Discount rate	**5.3% to 5.9%**	5.7% to 6.3%

Assumptions regarding future mortality experience are based on published statistics and mortality tables. The average remaining working lives of an individual retiring at the age of 60 is 11. These assumptions were developed by management with the assistance of an independent actuary. Discount factors are determined close to the end of each reporting period by reference to the interest rates of a zero coupon government bonds with terms to maturity approximating to the terms of the retirement obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

(c) Risks Associated with the Retirement Plan

The plan exposes the Company to actuarial risks such as interest rate risks and longevity and salary risks.

Interest Risk

The present value of the post-employment defined benefit obligation is calculated using a discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of a reference government bonds will increase the plan obligation.

Longevity and Salary Risks

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

(d) Other Information

The information on the sensitivity analysis for certain significant actuarial assumptions, and the timing and uncertainty of future cash flows related to the post-employment plan are described below.

Sensitivity Analysis

The following table summarizes the effects of changes in the significant actuarial assumptions used in the determination of the defined benefit obligation as of December 31, 2013:

	Impact of Post-employment Benefit Obligation		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
Discount rate	+1.00%/-1.00%	(P 23,885,832)	P 29,320,440
Salary growth rate	+1.00%/-1.00%	28,734,858	(24,800,444)

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

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

Expected Benefit Payment

The maturity profile of undiscounted expected benefit payments from the plan as at December 31, 2013 follows:

Less than one year	P 10,478,757
More than one year to ten years	4,305,698
More than ten years	189,942,734
	P 204,727,189

The average duration of the post-employment defined benefit obligation at the end of the reporting period is 15 years.

Expected Funding of the Post-employment Defined Benefit Obligation

As of December 31, 2013, the Company is yet to determine how much and when to fund the post-employment defined benefit plan.

20. TAXES

The components of tax expense follow for the years ended December 31:

	2013	2012	2011
Reported in profit or loss			
Regular corporate income tax (RCIT) at 30%	**P 118,683,094**	P 78,137,190	P -
Current tax expense:			
Stock transaction tax	**13,938,955**	6,186,700	-
Minimum corporate income tax (MCIT) at 2%	**2,608,348**	1,677,868	76,214
Final tax at 20% and 7.5%	**2,472,962**	2,492,629	365,857
Capital gains tax	**-**	122,937,666	-
	137,703,359	211,432,053	442,071
Deferred tax income relating to origination and reversal of temporary difference	**57,919,611**	29,939,444	688,365
	P 195,622,970	P 241,371,497	P 1,130,436

The reconciliation of tax on pretax profit computed at the applicable statutory rates to tax expense (income) reported in the consolidated profit or loss is shown below.

	2013	2012	2011
Tax on pretax profit at 30%	**P 462,161,281**	P 3,001,813,768	P 78,498,553
Adjustments for income subjected to lower tax rates	**(286,012,259)**	(20,737,808)	(182,928)
Tax effects of:			
Income from acquisition of a subsidiary	**-**	(2,795,366,058)	-
Capital gains tax	**-**	122,937,666	-
Equity in net earnings of an associate	**(34,177,095)**	(103,389,900)	(101,129,546)
Deferred tax assets (DTA) on previously unrecognized DTA on net operating loss carryover (NOLCO) and MCIT	**(8,260,121)**	-	-
Unrecognized DTA on temporary differences during the year	**2,508,965**	34,169,999	23,285,343
Unrecognized NOLCO, MCIT and other temporary differences	**3,562,198**	4,282,610	-
Recognition of deferred tax liability in excess of deferred tax asset	**70,225,354**	23,622,960	-
Nondeductible interest and other expenses	**74,178,184**	46,497,525	761,888
Rental income adjustment in accordance with PAS 17	**(85,653,952)**	(63,979,516)	-
Nontaxable revenues	**(2,909,585)**	(8,479,749)	(102,874)
Tax expense reported in consolidated profit or loss	**P 195 622 970**	P 241 371 497	P 1 130 436

The net deferred tax liabilities relate to the following as of December 31:

	Statements of Financial Position		**Profit or Loss**		**Other Comprehensive Income**	
	2013	**2012**	**2013**	**2012**	**2013**	**2012**
Deferred Tax Assets:						
Rental expense	**P 80,272,325**	P 82,376,712	**P 2,104,387**	(P 22,235,678)	**P -**	P -
Deferred gross profit	**12,393,960**	13,502,151	**1,108,191**	(13,502,151)	**-**	-
Allowance for impairment losses	**5,615,902**	6,048,963	**433,061**	(6,048,963)	**-**	-
Retirement benefit obligation	**7,137,263**	1,437,141	**(4,644,342)**	(808,609)	**(1,055,780)**	-
NOLCO	**22,283,737**	-	**(22,283,737)**	-	-	-
MCIT	**2,363,092**	-	**(2,363,092)**	-	-	-
	130,066,279	103 364 967				
Deferred Tax Liabilities:						
Capitalized borrowing cost	**(85,775,075)**	(78,844,168)	**6,930,907**	8,177,634	**-**	-
Rental income	**(141,686,518)**	(65,082,845)	**76,603,673**	64,357,211	**-**	-
Deferred gross profit	**(725,634)**	(725,634)	**-**	-	**-**	-
Unrealized foreign currency gains	**(52,017)**	-	**52,017**	-	**-**	-
	(228,239,244)	(144 652 647)				
Net deferred tax liabilities	**(P 98,172,965)**	(P 41 287 680)				
Deferred tax expense (income)			**P 57,919,611**	P 29 939 444	**(P 1,055,780)**	P -

No deferred tax liability is recognized on revaluation reserves relating to AFS financial assets as the sale of listed securities through the stock exchange is subject to the stock transaction tax.

The amount of NOLCO and other deductible temporary differences as of the end of each reporting period for which the related deferred tax assets have not been recognized in the books of the Company and BEC are shown below.

	Amount		Tax Effect	
	2013	2012	**2013**	2012
NOLCO	**P 172,250,176**	P 197,322,194	**P 51,675,053**	P 59,196,658
Retirement benefit obligation	**13,547,322**	14,175,200	**4,064,197**	4,047,240
Allowance for impairment	**19,631,591**	49,363,417	**5,889,477**	14,809,025
MCIT	**2,003,203**	1 783 261	**2,003,203**	1 783 261
	P 207,432,292	P 262 644 072	**P 63,631,930**	P 79 836 184

Presented below are the details of the Group's remaining NOLCO, which can be claimed as deduction from future taxable income of the respective entities within three years from the year the taxable loss was incurred.

Entity	Year Incurred	Amount	Valid Until
BEC	2013	P 9,949,523	2016
	2012	13,980,894	2015
	2011	26,066,001	2014
Starmall	2013	6,904,912	2016
	2012	101,400,345	2015
	2011	13,948,501	2014
MAPI	2013	46,745,387	2016
	2012	9,959,455	2015
	2011	17,574,282	2014
		P 246,529,300	

NOLCO incurred by BEC, Starmall and MAPI in 2010 amounting to P6,004,373, P3,864,625 and P3,339,999, respectively, expired in 2013.

The entities in the Group are subject to MCIT equivalent to 2% of gross income, as defined under the tax regulations. The details of MCIT for the Group which are available for offset against the respective entities' future income tax due are as follows:

Entity	Year Incurred	Amount	Valid Until
BEC	2013	P 158,554	2016
	2012	17,941	2015
	2011	55,272	2014
Starmall	2013	86,702	2016
MAPI	2013	2,363,092	2016
	2012	1,663,792	2015
	2011	20,942	2014
		P 4,366,295	

In 2013, 2012 and 2011, the Group opted to claim itemized deductions in computing for its income tax due.

21. RELATED PARTY TRANSACTIONS

The related parties of the Group include the companies related to the Group by common ownership, subsidiaries of such companies, the Group's stockholders and key management personnel. The significant transactions of the Group in the normal course of business with related parties and related balances as of December 31, 2013 and 2012 and for the years then ended December 31, 2013, 2012 and 2011 are discussed in the succeeding paragraphs.

		2013		2012	
Related Party Category	Notes	**Amount of Transaction**	**Outstanding Balance**	Amount of Transaction	Outstanding Balance
Related Parties Under Common Ownership:					
Cash advances collected	21.2	**(P 44,184,886)**	**P 206,933,764**	(P 96,578,898)	P 251,118,650
Cash advances paid	21.2	**163,118,506**	**(106,778,431)**	83,184,385	(269,896,937)
Rental income	21.5	**281,324,052**	**440,893,938**	256,734,115	471,713,754
Purchase of land	10.2, 21.4(a)	**(1,705,031)**	**(44,976,827)**	(2,175,385)	(43,271,796)
Real estate sales	21.4(d)	**11,510,394**	**51,581**	-	-
Operating lease	21.4(b)	**(8,035,626)**	**(8,035,826)**	-	-
Stockholder –					
Cash advances granted	21.2	**P 26,355,415**	**P 110,390,266**	(P 35,704,400)	P 84,034,851
Sale of VLL shares	21.3	**2,772,298,326**	**2,772,298,326**	-	-
Cash advances received	21.2	**148,017,160**	**(148,017,160)**	-	-
Key Management –					
Compensation	21.6(a)	**P 17,419,705**	**P -**	P 19,753,614	P -

21.1 Assignment of Receivables

Portion of the balance of Due from Related Parties as of December 31, 2013 and 2012 includes the accounts receivable from Communities Philippines, Inc. (CPI), a related party under common ownership, of P122.9 million and from FPI of P51.6 million. These receivables arose in prior years from the foreclosure by the Bangko Sentral ng Pilipinas (BSP) of the Company's real estate property (Bellefonte) to pay off the loan to Optimum Development Bank (ODB). In view of the foreclosure, the Group derecognized the asset and recognized a receivable from CPI amounting to P122.9 million representing the amount of estimated development costs which were paid in advance by the Group to CPI upon acquisition of Bellefonte but with a provision that CPI will shoulder the development costs of the project. The Group also recognized a receivable from FPI since ODB assigned its receivables from FPI to the Company to pay off ODB's share of the cost of the asset foreclosed by the BSP. These receivables are unsecured, noninterest-bearing and have no repayment terms.

Management believes that these receivables are fully recoverable from the related parties.

21.2 Cash Advances

In the normal course of business, the Company grants and/or receives cash advances from its major stockholder, FPI, and its subsidiaries for working capital requirements and other purposes. The advances are unsecured, noninterest-bearing, with no repayment terms and are repayable in cash.

Summarized below are the outstanding receivables and payables, shown as part of Due from Related Parties and Due to Related Parties, respectively, in the consolidated statements of financial position, arising from these transactions.

	2013	2012
Due from related parties:		
Balance at beginning of year	**P 335,153,501**	P 184,295,271
Additions	**161,816,519**	150,858,230
Balance at end of year	**P 496,970,020**	P 335,153,501
Due to related parties:		
Balance at beginning of year	**P 269,896,937**	P 353,081,322
Additions (repayments)	**(15,101,346)**	(83,184,385)
Balance at end of year	**P 254,795,591**	P 269,896,937

The total amount of Due from related parties as presented in the consolidated statements of financial position is shown below.

	2013	2012
Current:		
Cash advances	**P 317,324,030**	P 335,153,501
Outstanding balance from sale of VLL shares	**179,645,990**	-
	496,970,020	335,153,501
Noncurrent –		
Outstanding balance from sale of VLL shares	**2,592,652,336**	-
	P3,089,622,356	P 335,153,501

21.3 Sale of Investment in an Associate

In May 2013, the Group sold the remaining 399.4 million shares of its investments in VLL, with a carrying amount of P1,793.9 million, for a total consideration of P2,787.8 million to FPI. The outstanding receivable as of December 31, 2013 is presented as part of Due from Related Parties under current and non-current sections of the 2013 consolidated statement of financial position and is payable annually up to 2019 which bears interest at a fixed annual rate of 4%.

The outstanding receivable as of December 31, 2013 is net of stock transaction tax and other charges amounting to P15.5 million which was paid by FPI in behalf of the Group.

21.4 Transactions with Related Parties Under Common Ownership

(a) Land Purchase

In 2011, the Group acquired a parcel of land amounting to P46.3 million from HDC to be developed as commercial property in the future whose balance is payable on a quarterly basis over a period of five years (see Notes 10.2 and 13). The liability is noninterest-bearing and measured at amortized cost using the effective interest method. The outstanding balance arising from this transaction is presented as Liability for Land Acquisition in the consolidated statements of financial position.

(b) Operating lease agreement

In 2013, the Group entered into an operating lease agreement with HDC for the lease of parcels of land to be developed by the Group as commercial property in the future. The lease term is for a period of 20 years with renewal option. Rental expense from this transaction is presented as part of Rentals in the 2013 consolidated statement of comprehensive income. The accrued rental arising from this transaction is shown as part of Accrued expenses under Trade and Other Payables in the 2013 consolidated statement of financial position (see Note 14).

(c) Loan Facility

In 2010, the Group obtained secured loans from various commercial banks using BC's credit line. The loans, which are payable up to 2019 and bear annual interest ranging from 10.25% to 13.00%, were obtained exclusively to finance the Group's on-going projects [see Note 15.1(c)].

(d) Real Estate Sales

In 2013, BC and Crown Asia Properties, Inc. (CAPI), related parties under common ownership, entered into real estate sales transaction on behalf of the Group. The sales contracted by BC and CAPI amounted to P7.7 million and P3.7 million, respectively, which were recognized as part of Real Estate Sales in the 2013 consolidated statement of comprehensive income. As of December 31, 2013, the outstanding receivable from this transaction amounted to P0.1 million and is recorded as part of Short-term installment contracts receivable under Prepayments and Other Current Assets in the 2013 consolidated statement of financial position (see Note 8). There was no similar transaction in 2012.

21.5 Rental Income

The Group has rental agreement with certain related parties under common ownership for the lease of the Group's investment property (see Note 9). The lease agreements have a term of one year and are renewable annually. The rentals earned from related parties are presented as part of Rental Income in the consolidated statements of comprehensive income. The outstanding receivables arising from these transactions are shown as part of Trade and Other Receivables in the consolidated statements of financial position (see Note 5).

21.6 Key Management Personnel

(a) Compensation

Compensation provided to key management personnel in 2013, 2012 and 2011 consists of short-term and post-employment benefits amounting to P17.4 million, P19.8 million and P14.4 million, respectively.

(b) Cash Advances

In 2012, the Group granted unsecured, noninterest-bearing advances to one of its key management personnel amounting to P12.0 million. As of December 31, 2013 and 2012, the entire balance is still outstanding and is presented as part of Other receivables under Trade and Other Receivables in the consolidated statements of financial position (see Note 5).

22. EQUITY

22.1 Capital Stock

Capital stock consists of:

	Shares		Amount	
	2013	2012	**2013**	2012
Preferred – voting, cumulative, non-participating, non- convertible, non-redeemable – P0 01 par value				
Authorized	**10,000,000,000**	10 000 000 000	**P 100,000,000**	P 100 000 000
Issued and outstanding:				
Balance at beginning of year	**2,350,000,000**	-	**P 23,500,000**	P -
Issuance during the year	**-**	2 350 000 000	**-**	23 500 000
Balance at end of year	**2,350,000,000**	2 350 000 000	**P 23,500,000**	P 23 500 000
Common shares – P1 00 par value				
Authorized	**16,900,000,000**	16 900 000 000	**P 16,900,000,000**	P 16 900 000 000
Issued and outstanding:				
Balance at beginning of year	**8,425,981,155**	4,892,411,158	**P 8,425,981,155**	P 4,892,411,158
Issuance during the year	**-**	3 533 569 997	**-**	3 533 569 997
Balance at end of year	**8 425 981 155**	8 425 981 155	**P 8,425,981,155**	P 8 425 981 155
			P 8,449,481,155	P 8 449 481 155

**At the consolidation level, the shares of stock of the Company held by Manuela resulted in the recognition of Treasury Stock amounting to P1.6 billion, which is equal to the cost of acquisition by Manuela of the said shares.*

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 below with their respective number of shares held:

	Number of Shares Issued	Percentage Ownership
FPI	2,573,507,156	30.5%
PCDNC	5,831,436,554	69.2%
Others	21,037,445	0.3%
	8,425,981,155	100%

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 P0.01 per share.

On November 10, 2004, the SEC approved the increase in the authorized capital stock of the Company to P4.5 billion divided into 4.5 billion shares with a par value of P1 each, as authorized by the Company's BOD.

In 2005, the Company applied for another increase in its authorized capital stock to P5.5 billion divided into 5.5 billion shares with a par value of P1 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 December 31, 2013 and 2012, 7.7 billion shares are listed in the PSE and closed at P3.62 and P3.98 per share, respectively.

22.2 Revaluation Reserves

The component and reconciliation of items of comprehensive income presented in the consolidated statements of changes in equity at their aggregate amount under Revaluation Reserves are shown below.

	AFS Financial Assets	Defined Benefit Obligation	Total
Balance as of January 1, 2013	P 25,663,240	(P 2,529,700)	P 23,133,540
Remeasurements of defined benefit obligation	-	(6,139,987)	(6,139,987)
Fair value losses on AFS financial assets	(47,710,869)	-	(47,710,869)
Fair value gain on AFS financial asset reclassified to profit or loss	(25,663,240)	-	(25,663,240)
Balance as of December 31, 2013	**(P 47 710 869)**	**(P 8 669 687)**	**(P 56 380 556)**

	AFS Financial Assets	Defined Benefit Obligation	Total
Balance as of January 1, 2012	P 19,269,490	(P 2,125,700)	P 17,143,790
Remeasurement of defined benefit obligation	-	(404,000)	(404,000)
Fair value gain on AFS financial asset	6,393,750	-	6,393,750
Balance as of December 31, 2012	P 25,663,240	(P 2,529,700)	P 23,133,540

22.3 Retained Earnings

The Company's unrestricted retained earnings available for distribution amounted to P2,537,223,453 which excludes unrealized gains.

23. EARNINGS PER SHARE

Earnings per share were computed as follows:

	2013	2012 (As restated - see Note 2.2)	2011 (As restated - see Note 2.2)
Net profit attributable to parent company's stockholders	**P 1,337,041,658**	P9,732,450,076	P 260,531,407
Divided by weighted average number of outstanding common shares	**7,202,878,365**	5,566,787,051	4,892,411,158
Earnings per share	**P 0.186**	P 1.748	P 0.053

Diluted earnings per share was not determined since the Group does not have potential dilutive shares as of December 31, 2013, 2012 and 2011.

Earnings per share before the effect of income from acquisition of a subsidiary is P0.047 as of December 31, 2012.

24. COMMITMENTS AND CONTINGENCIES

The Group is contingently liable with respect to sales contracts and other transactions arising in the ordinary course of business.

24.1 Operating Lease Commitments – Manuela as Lessee

Manuela leases a parcel of land from LECA Properties, Inc. (LECA) where the Worldwide Corporate Center is situated for an original period of 25 years commencing on August 1, 1995 until July 31, 2020 with rental escalation every year at an agreed rate ranging from P44.20 to P44.89 per square meter. The lease contract includes a clause that the lessee shall be responsible for all real property taxes, assessments or charges on the improvements on the leased property. In 2003, the approval of the Rehabilitation Plan filed by Manuela changed the rates of rental payments to LECA. Since then, Manuela made periodic lease payments to LECA in accordance with the provisions of the Rehabilitation Plan.

In relation to the Supreme Court (the Court) decision dated September 25, 2007, Manuela made payments during the year to LECA in accordance with the Approved Rehabilitation Plan (the ARP). The Court ordered the Receiver to alter and modify within 30 days from the receipt of the court order the ARP relative to the subject rentals, conformably with and according to the judgment of the Court. The Receiver submitted the ARP with modifications on October 1, 2009. Manuela adjusted the rental payments based on the provision of the lease contract to incorporate the payments due on rentals and arrearages to LECA at the rates stipulated in the lease contract with interest at 6% to 12%.

On September 8, 2010, LECA with conformity from Manuela, filed separate motions to the Court and Regional Trial Court (RTC) of Las Piñas. The motion to the Court seeks the approval of the compromise agreement between the two parties. The motion to the RTC requests for the following: 1) to set aside its Order dated March 29, 2010 approving the Amended Rehabilitation Plan; 2) to withdraw its motion to reconsider dated May 25, 2010 and set aside its Order dated March 29, 2010; and, 3) to approve the implementation of the parties' settlement agreement.

The compromise agreement Manuela was executed through a Memorandum of Agreement (MOA) dated August 25, 2010. Under the MOA, LECA agreed to a reduction of the amount of outstanding rentals and arrearages and set a schedule of payment of the agreed amount. Furthermore, on the same MOA, LECA agreed for an extension of the term of the original lease, for an additional 10 years from the expiration of the original lease period, under the same terms and conditions, except as to the rate of rentals which the parties shall agree prior to the expiration of the original lease term.

On August 1, 2012, on a Resolution issued by the Third Division of the Supreme Court, the motion filed by LECA on March 29, 2010 for the approval of the MOA was granted. Accordingly, the case between the Manuela and LECA had been closed and terminated.

Rental expense from this operating lease amounted to P75.2 million and P63.1 million in 2013 and 2012, respectively, and is presented as part of Rentals in the consolidated statements of comprehensive income.

The future minimum rental commitments arising from their agreement as of December 31 are as follows:

	2013	2012
Less than one year	**P 78,182,597**	P 70,658,625
Between one and five years	**417,924,000**	372,573,352
More than five years	**2,036,611,574**	346,887,636
	P 2,532,718,171	P 790,119,613

24.2 Operating Lease Commitments – MAPI as Lessee

MAPI is a lessee under various operating leases covering parcels of land where some of MAPI's on-going mall projects are being constructed. These leases have terms ranging from 20 to 25 years and with rental escalation clauses and renewal options. Rental expense from these operating leases amounted to P10.1 million in 2013 and is presented as part of Rentals in the 2013 consolidated statement of comprehensive income.

The future minimum rental commitments from their agreements as of December 31, 2013 are as follows:

More than 10 years to 15 years	P 13,748,830
More than 15 years to 20 years	12,689,553
More than 20 years	78,545,420
	P 104,983,803

24.3 Operating Lease Commitments – Group as Lessor

The Group leases out properties under various operating leases with various escalation clause and renewal rights. Rental income from these operating leases in 2013 and 2012 amounted to P1.3 billion and P1.2 billion, respectively, and presented as Rental Income in the consolidated statements of comprehensive income. The future minimum lease receivables under these non-cancelable leases as of December 31 are as follows:

	2013	2012
Less than one year	**P 377,468,689**	P 770,022,148
Between one and five years	**1,943,785,746**	1,653,033,424
More than five years	**1,809,640,830**	1,014,004,823
	P4,130,895,265	P3,437,060,395

24.4 Credit Line

As at December 31, 2013, the Group has unused letters of credit with two local banks amounting to P1.6 billion.

24.5 Legal Matters

As of December 31, 2013 and 2012, certain lawsuits and claims filed by or against the Group are still pending. Management and its legal counsels believe that the ultimate outcome of these lawsuits and claims will not have a material adverse effect on the Group's consolidated financial statements.

24.6 Others

There are other commitments and contingent liabilities that arise in the normal course of the Group's operations that are not reflected in the financial statements. Management is of the opinion that losses, if any, from these items will not have a material effect on the Company's financial statements.

25. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks which result from both its operating and investing activities. The Group's risk management is in close coordination with the Company's BOD and focuses on actively securing the Group's short to medium-term cash flows by minimizing the exposure to financial markets. Long term financial investments are managed to generate lasting returns.

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

25.1 Interest Rate Risk

At December 31, 2013 and 2012, the Group is exposed to changes in market interest rates through its cash and cash equivalents, which are subject to variable interest rates (see Note 4). All other financial assets and liabilities have fixed rates in 2013 and 2012.

In 2013 and 2012, the Group's cash and cash equivalents comprise of cash in banks and short-term highly liquid investments that are readily convertible to known amounts of cash which have limited exposure to changes in market interest rates. This financial instrument has historically shown small or measured changes in interest rates.

25.2 Credit Risk

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

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. The Group's policy is to deal only with creditworthy customers and counterparties. In addition, for a significant proportion of sales, advance payments are received to mitigate credit risk.

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

	Notes	**2013**	2012
Cash and cash equivalents	4	**P 1,124,306,207**	P 1,492,219,006
Trade and other receivables – net	5	**845,985,186**	630,277,730
Due from related parties	21.2	**3,089,622,356**	335,153,501
Installment contract receivable*	8	**91,475,825**	97,332,592
Refundable deposits*	8	**56,302,065**	38,519,778
Advances to officers and employees*	8	**8,463,806**	12,904,486
		P 5,216,155,445	P 2,606,407,093

** Presented as part of Prepayment and Other Assets in the consolidated statements of financial position.*

None of the financial assets are secured by collateral or other credit enhancements, except for cash and cash equivalents as described below.

The credit risk for cash and cash equivalents is considered negligible, since the counterparties are reputable banks with high quality external credit ratings. Included in the cash and cash equivalents are cash in banks and short term placements which are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P500,000 for every depositor per banking institution.

In respect of trade and other receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. Trade receivables consist of a large number of customers in various industries and geographical areas. Based on historical information about customer default rates, management consider the credit quality of trade receivables that are not past due or impaired to be good.

With respect to installment contract receivables, the Group has no significant concentration of credit risk as its customer base is comprised of individuals, each of which usually acquires a unit on a one-time basis. The Group's receivables are actively monitored to avoid significant concentrations of credit risk. Further, the titles to the residential units sold are transferred only to the buyers upon full payment of the installment contract receivables, effectively using the sold units as collaterals. In addition, for a significant proportion of sales, advance payments are received to mitigate credit risk. The Group has adopted a no-business policy with customers lacking an appropriate credit history where credit records are available.

In relation to the Group's due from related parties, the Group is not exposed to any significant credit risk on its advances to related parties with good credit standing. Accordingly, management considers the credit quality of advances to related parties to be good.

The Group has no significant concentration of credit risk with any counterparty. The Company's management considers that all financial assets in the previous paragraph that are not impaired or past due for each reporting date are of good credit quality. There are no significant financial assets which are past due but not impaired as at the end of the reporting period.

25.3 Liquidity Risk

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for short-term financial liabilities as well as cash outflows due in a day-to-day business.

The Group maintains cash and obtains financing from its parent company and other related parties to meet its liquidity requirements for up to a 60-day period. Excess cash are invested in time deposits or short-term marketable securities. Funding for long-term liquidity needs is additionally secured if needed.

As at December 31, 2013, the Group's financial liabilities have contractual maturities which are presented below.

	Current		Non-current
	1 - 6 months	6 - 12 months	1 to 9 years
Interest-bearing loans and borrowings	P 147,068,069	147,068,069	P1,477,439,536
Trade and other payables	999,112,850	-	-
Due to related parties	254,795,591	-	-
Liability for land acquisition	16,958,552	4,726,980	17,849,625
Refundable deposits	-	-	45,145,549
	P1,417,935,062	**P 151,795,049**	**P1,540,434,710**

As at December 31, 2012, the Group's financial liabilities have contractual maturities which are presented below.

	Current		Non-current
	1 - 6 months	6 - 12 months	1 to 9 years
Interest-bearing loans and borrowings	P -	P 118,751,002	P 634,032,691
Trade and other payables	832,850,158	-	-
Due to related parties	269,896,937	-	-
Liability for land acquisition	16,617,571	4,726,980	28,361,880
Refundable deposits	-	-	38,878,624
	P1,119,364,666	**P 123,477,982**	**P 701,273,195**

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

25.4 Other Market Price Risk

The Group's market price risk arises from its AFS financial asset which is carried at fair value. It manages its risk arising from changes in market price by monitoring the changes in the market price of the investment.

For equity securities listed in the Philippines, the average volatility rate of the fair values of the Group's AFS financial asset is 19%, 35% and 43% for the years ended December 31, 2013, 2012 and 2011, respectively. In 2012, the percentage has been determined based on the volatility of the index of mining companies, using standard deviation, in the previous 12 months, estimated at 95% level of confidence while the percentage for 2013 was determined through the PSE Index since the Group's investment portfolio is composed of various equity securities. If quoted prices for these securities increased or decreased by that rate, equity would have changed by P12.4 million, P3.0 million and P8.4 million in 2013, 2012 and 2011, respectively.

26. CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

26.1 Carrying Amounts and Fair Values of Financial Assets and Financial Liabilities

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

	Notes	**2013**		2012	
		Carrying Values	**Fair Values**	Carrying Values	Fair Values
Financial assets					
Loans and receivables:					
Cash and cash equivalents	4	**P1,124,306,207**	**P1,124,306,207**	P 1,492,219,006	P1,492,219,006
Trade and other receivables – net	5	**845,985,186**	**845,985,186**	630,277,730	630,277,730
Due from related parties	21 2	**3,089,622,356**	**3,089,622,356**	335,153,501	335,153,501
Installment contract receivable	8	**91,475,825**	**91,475,825**	97,332,592	97,332,592
Refundable deposits	8	**56,302,065**	**56,302,064**	38,519,778	38,519,778
Advances to officers and employees	8	**8,463,806**	**8,463,806**	12 904 486	12 904 486
		P5,216,155,445	**P 5,216,155,444**	P 2 606 407 093	P2 606 407 093
AFS financial asset – Investment in shares of stock		**P 906,243,301**	**P 906,243,301**	P 29 157 295	P 29 157 295
Financial Liabilities					
Financial liabilities at amortized cost:					
Liability for land acquisition	13	**P 39,535,157**	**P 39,535,157**	P 45,708,426	P 45,708,426
Interest bearing-loans and borrowings	15	**1,771,575,674**	**1,771,575,674**	752,783,793	752,783,793
Trade and other payables	14	**999,112,850**	**999,112,850**	832,850,158	832,850,158
Due to related parties	21 2	**254,795,591**	**254,795,591**	269,896,937	269,896,937
Refundable deposits		**45,145,549**	**45,145,549**	38 878 624	38 878 624
		P 3,110,164,821	**P 3,110,164,821**	P 1 940 117 938	P 1 940 117 938

See Notes 2.4 and 2.9 for a description of the accounting policies for each category of financial instrument. A description of the Group's risk management objectives and policies for financial instruments is provided in Note 24.

26.2 Offsetting of Financial Assets and Financial Liabilities

The Group has not set-off financial instruments in 2013 and 2012 and does not have relevant offsetting arrangements. Currently, all other financial assets and financial liabilities are settled on a gross basis; however, each party to the financial instrument (particularly related parties) will have the option to settle all such amounts on a net basis in the event of default of the other party through approval by both parties' BOD and stockholders. As such, the Group's outstanding receivables from and payables to the same related parties as presented in Note 21 can be potentially offset to the extent of their corresponding outstanding balances. The Company also has established a reserve fund in a certain local bank to which it has outstanding loan (see Note 8). In case of the Company's default on loan amortization, the reserve fund amounting to P19.7 million, can be applied against its outstanding loans amounting to P685.0 million.

27. FAIR VALUE MEASUREMENT AND DISCLOSURES

27.1 Fair Value Hierarchy

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

a) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;

b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,

c) Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

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

27.2 Financial Instruments Measurement at Fair Value

The table below shows the fair value hierarchy of the Company's classes of financial assets and financial liabilities measured at fair value in the statements of financial position on a recurring basis as of December 31, 2013 and 2012.

	Level 1	Level 2	Level 3	Total
December 31, 2013				
AFS financial assets	P 410,113,491	P 492,925,640	P 3,204,170	P 906,243,301
December 31, 2012				
AFS financial asset	P 25 953 125	P -	P 3 204 170	P 29 157 295

The Company has no financial liabilities measured at fair value as of December 31, 2013 and 2012.

Described below are the information about how the fair values of the Company's classes of financial assets are determined.

a) Equity securities

As of December 31, 2013 and 2012, instruments included in Level 1 comprise equity securities classified as AFS financial assets. These securities were valued based on their market prices quoted in the PSE at the end of each reporting period.

b) Debt securities

The fair value of the Company's debt securities which consist of corporate bonds is estimated by reference to quoted bid price in active market at the end of the reporting period and is categorized within Level 1.

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

The table below summarizes the fair value hierarchy of the Company's financial assets and financial liabilities which are not measured at fair value in the 2013 statement of financial position but for which fair value is disclosed.

	Level 1	Level 2	Level 3	Total
Financial assets:				
Cash and cash equivalents	P1,124,306,207	P -	P -	P 1,124,306,207
Trade and other receivables	-	-	845,985,186	845,985,186
Due from related parties	-	-	3,089,622,356	3,089,622,356
Installment contracts receivable	-	-	91,475,825	91,475,825
Refundable deposits	-	-	56,302,065	56,302,065
Advances to officers and employees	-	-	8 463 806	8 463 806
	P1 124 306 207	**P -**	**P4 091 849 238**	**P 5 216 155 445**

	Level 1		Level 2		Level 3		Total
Financial liabilities:							
Liability for land acquisition	P	-	P	-	P 39,535,157	P	39,535,157
Interest-bearing loans		-		-			
and borrowings		-		-	1,771,575,674		1,771,575,674
Trade and other payables		-		-	999,112,850		999,112,850
Due to related parties		-		-	254,795,591		254,795,591
Refundable deposits		-		-	45 145 549		45 145 549
	P	**-**	**P**	**-**	**P 3,110,164,821**	**P**	**3,110,164,821**

For financial assets with fair values included in Level 1, management considers that the carrying amounts of those short-term financial instruments approximate their fair values.

The fair values of the financial assets and financial liabilities included Level 3 above which are not traded in an active market is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market value of another instrument which is substantially the same after taking into account the related credit risk of counterparties, or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

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

27.4 Fair Value Measurement for Investment Property

The Company's investment property is included in Level 2. The fair value of the Company's investment properties (see Note 6) are determined on the basis of the appraisals performed by independent appraisers with appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. To some extent, the valuation process was conducted by the appraiser in discussion with the Company's management with respect to the determination of the inputs such as the comparable prices in the corresponding property location. In estimating the fair value of these properties, management takes into account the market participant's ability to generate economic benefits by using the assets in their highest and best use. Based on management assessment, the best use of the Company's non-financial assets indicated above is their current use.

The Level 2 fair value of land was derived using the market comparable approach that reflects the recent transaction prices for similar properties in nearby locations. Under this approach, when sales prices of comparable land in close proximity are used in the valuation of the subject property with no adjustment on the price, fair value is included in Level 2. On the other hand, if the observable recent prices of the reference properties were adjusted for differences in key attributes such as property size, zoning, and accessibility, the fair value is included in Level 3. The most significant input into this valuation approach is the price per square foot, hence, the higher the price per square foot, the higher the fair value.

28. CAPITAL MANAGEMENT OBJECTIVE POLICIES AND PROCEDURES

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximize shareholders' value. In order to maintain or achieve an optimal capital structure, the Group may issue new shares, obtain new borrowings or sell assets to reduce borrowings.

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

Relevant information is shown below.

	2013	2012
Total liabilities	**P 3,795,375,702**	P 2,532,585,194
Total equity	**20,461,718,744**	19,196,318,207
Debt-to-equity ratio	**0.185 : 1:00**	0.132 : 1:00

The Group's Controller has overall responsibility for monitoring capital in proportion to risk. Profiles for capital ratios are set in the light of changes in the Group's external environment and the risks underlying the Group's business, operation and industry.

Punongbayan & Araullo

An instinct for growth™

Report of Independent Auditors on Supplementary Schedules Filed Separately from the Basic Financial Statements

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The Board of Directors and Stockholders
Starmalls, Inc. and Subsidiaries
(Formerly Polar Property Holdings Corporation and Subsidiaries)
3rd Level Starmall Las Piñas
CV Starr Avenue, Pamplona
Las Piñas City

We have audited, in accordance with Philippine Standards on Auditing, the financial statements of Starmalls, Inc. and subsidiaries for the year ended December 31, 2013, on which we have rendered our report dated April 11, 2014. Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The applicable supplementary information (see List of Supplementary Information) is presented for purposes of additional analysis in compliance with the requirements of the Securities Regulation Code Rule 68, and is not a required part of the basic consolidated financial statements prepared in accordance with Philippine Financial Reporting Standards. Such supplementary information is the responsibility of the management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

PUNONGBAYAN & ARAULLO

By: Nelson J. Dinio
Partner

CPA Reg. No. 0097048
TIN 201-771-632
PTR No. 4225008, January 2, 2014, Makati City
SEC Group A Accreditation
Partner - No. 1036-AR-1 (until Aug. 21, 2016)
Firm - No. 0002-FR-3 (until Jan. 18, 2015)
BIR AN 08-002511-32-2013 (until Nov. 7, 2016)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2015)

April 11, 2014

STARMALLS, INC. AND SUBSIDIARIES
Supplementary Information and Disclosure required on SRC Rule 68 and 68.1 as amended
December 31, 2013

Schedule A – Financial Assets in Equity Securities

Name of Issuing Entity and Association of Each Issue	Number of Shares or principal amount of bonds and notes	Amount shown in the Balance Sheet	Value based on market quotation at end of reporting period	Income received and accrued
Wealth Private Advisory Ltd.	30 units	27,707,916	27,707,916	-
BDO	38,372 units	133,636,254	133,636,254	-
BPI Family	744,586 shares	111,659,321	111,659,321	-
Manuela Metropolis Corp.	2,432,000 shares	3,204,170	3,204,170	-
Total			**276,207,661**	**-**

Schedule B – Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Shareholders (other than related parties)

Name of debtor	Balance at beginning of period	Additions	Amount Collected	Amounts written off	Current	Non-current	Balance at end of period
R. Riguera	12,000,000		6,500,000		5,500,000		5,500,000
Subject to liquidation of Employees*	904,486	2,963,806	904,486		2,963,806		2,963,806
Total	**12,904,486**	**2,963,806**	**7,404,486**		**13,963,806**		**13,963,806**

* Cash advances used for the Group's operations

Schedule C – Accounts Receivable from related parties which were eliminated during the consolidation of financial statements

Below is the schedule of receivables and payables from related parties which were eliminated during the consolidation of financial statements of the Group as of December 31, 2013:

Name of debtor	Balance at beginning of period	Additions	Amount Collected	Amounts written off	Current	Non-current	Balance at end of period
MC	291,000	226,679,000	-	-	226,970,000	-	226,970,000
STR	871,783	-	448,000	-	423,783		423,783
MAPI	242,694,172	34,090,442	-	-	-	276,784,614	276,784,614
MAPI	6,901,915	-	-	-	-	6,901,915	6,901,915
MAPI	507,746,582	238,442,587	-	-	-	746,189,169	746,189,169
BEC	(871,783)	-	(448,000)	-	(423,783)	-	(423,783)
STR	(291,000)	(226,679,000)	-	-	(226,970,000)	-	(226,970,000)
BEC	(6,901,915)	-	-	-	-	(6,901,915)	(6,901,915)
MC	(507,746,582)	(238,442,587)	-	-	-	(746,189,169)	(746,189,169)
STR	(242,694,172)	(34,090,442)	-	-	-	(276,784,614)	(276,784,614)

Legend:
STR – Starmalls, Inc.
MC – Manuela Corp.
BEC – Brittany Estates Corp.
MAPI – Masterpiece Asia Properties, Inc.

Schedule D – Intangible Assets

The Group does not have any intangible asset as of December 31, 2013.

Schedule E – Long Term Debt

Below is the schedule of long term debt of the Group as of December 31, 2013:

Manuela

Creditor	Debtor	Amount	Current	Non-current
Planters Development Bank	Manuela	355,580,000	76,771,250	278,808,750
BDO Unibank	Manuela	368,632,666	106,324,222	262,308,444
Total		**724,212,666**	**183,095,472**	**541,117,194**

MAPI

Creditor	Debtor	Amount	Current	Non-current
Asia United Bank	MAPI	367,500,000	105,000,000	262,500,000
RCBC	MAPI	672,766,500	-	672,766,500
Total		**1,040,266,500**	**105,000,000**	**935,266,500**

BEC

Creditor	Debtor	Amount	Current	Non-current
Planters Development Bank	BEC	4,088,684	4,088,684	-
RCBC	BEC	3,007,874	1,951,982	1,055,892
Total		**7,096,508**	**6,040,666**	**1,055,892**

Schedule F – Indebtedness to Related Parties

Below is the list of outstanding payables to related parties of the group presented in the consolidated statement of financial position as of December 31, 2013:

Entity	Relationship	Balance at beginning of reporting period	Balance at end of reporting period
Brittany Corporation	Under common ownership	7,241,870	6,526,960
Crown Asia Properties, Inc.	Under common ownership	69,191,440	74,836,466
Althorp Holdings, Inc.*	Stockholder	-	24,930,004
Fine Properties Inc	Stockholder	182,017,161	148,502,161
Total		**258,450,471**	**254,795,591**

** Due to Hero Holdings Inc. – Hero Holdings, Inc. and Vitale Properties & Holdings Corp. which have been merged with Althorp Holdings Inc. in December 2012 with Althorp Holdings Inc. as the surviving entity*

Schedule G – Guarantees of Securities of Other Issuers

The Group does not have guarantees of securities of other issuers as of December 31, 2013.

Schedule H – Capital Stock

Title of Issue	Number of shares authorized	Number of shares issued and outstanding as shown under related balance sheet caption*	Number of shares held by related parties	Number of shares held by directors and officers	Other
Common, ₽1.00 par	16,900,000,000	7,202,878,365	5,029,330,195	1,090,876,765	1,082,671,405
Preferred, ₽0.01 par value	10,000,000,000	2,350,000,000	2,350,000,000	-	-

**net of 1,223,102,790 shares held by Manuela Corporation (refer to Note 22 of Notes to Financial Statements)*

Starmalls, Inc. and Subsidiaries

Schedule of Philippine Financial Reporting Standards and Interpretations
Adopted by the Securities and Exchange Commission and the
Financial Reporting Standards Council as of December 31, 2013

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements		♋		
Conceptual Framework Phase A: Objectives and Qualitative Characteristics		♋		
Practice Statement Management Commentary			♋	
Philippine Financial Reporting Standards (PFRS)				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	♋		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters	♋		
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters	♋		
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters	♋		
	Amendment to PFRS 1: Government Loans			♋
PFRS 2	Share-based Payment			♋
	Amendments to PFRS 2: Vesting Conditions and Cancellations			♋
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			ॐ
PFRS 3 (Revised)	Business Combinations	♋		
PFRS 4	Insurance Contracts			♋
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			♋
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			♋
PFRS 6	Exploration for and Evaluation of Mineral Resources			♋
PFRS 7	Financial Instruments: Disclosures	♋		
	Amendments to PFRS 7: Transition	♋		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	♋		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	♋		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	♋		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	♋		
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	♋		
	Amendment to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures *(deferred application)*			♋
PFRS 8	Operating Segments			♋
PFRS 9	Financial Instruments			♋
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures			♋
PFRS 10	Consolidated Financial Statements**	♋		
	Amendment to PFRS 10: Transition Guidance**	♋		
	Amendment to PFRS 10: Investment Entities**	♋		
PFRS 11	Joint Arrangements**	♋		
	Amendment to PFRS 11: Transition Guidance**	♋		
PFRS 12	Disclosure of Interests in Other Entities	♋		
	Amendment to PFRS 12: Transition Guidance**	♋		
	Amendment to PFRS 12: Investment Entities**	♋		
PFRS 13	Fair Value Measurement	♋		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Philippine Accounting Standards (PAS)				
PAS 1 (Revised)	Presentation of Financial Statements	♋		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	♋		
	Amendment to PAS 1: Presentation of Items of Other Comprehensive Income	♋		
PAS 2	Inventories			♋
PAS 7	Statement of Cash Flows	♋		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	♋		
PAS 10	Events after the Reporting Period	♋		
PAS 11	Construction Contracts			♋
PAS 12	Income Taxes	♋		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	♋		
PAS 16	Property, Plant and Equipment	♋		
PAS 17	Leases	♋		
PAS 18	Revenue	♋		
PAS 19 (Revised)	Employee Benefits	♋		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			♋
PAS 21	The Effects of Changes in Foreign Exchange Rates	♋		
	Amendment: Net Investment in a Foreign Operation	♋		
PAS 23 (Revised)	Borrowing Costs	♋		
PAS 24 (Revised)	Related Party Disclosures	♋		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			♋
PAS 27 (Revised)	Separate Financial Statements	♋		
	Amendment to PAS 27: Investment Entities	♋		
PAS 28 (Revised)	Investments in Associates and Joint Ventures	♋		
PAS 29	Financial Reporting in Hyperinflationary Economies			♋
PAS 32	Financial Instruments: Presentation	♋		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	♋		
	Amendment to PAS 32: Classification of Rights Issues	♋		
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities* *(effective January 1, 2014)*			♋

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PAS 33	Earnings per Share	♋		
PAS 34	Interim Financial Reporting			♋
PAS 36	Impairment of Assets	♋		
	Amendment to PAS 36: Recoverable Amount Disclosures for Non-financial Assets* *(effective January 1, 2014)*			♋
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	♋		
PAS 38	Intangible Assets			♋
PAS 39	Financial Instruments: Recognition and Measurement	♋		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	♋		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions	♋		
	Amendments to PAS 39: The Fair Value Option	♋		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	♋		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	♋		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	♋		
	Amendments to Philippine Interpretation IFRIC 9 and PAS 39: Embedded Derivatives	♋		
	Amendment to PAS 39: Eligible Hedged Items	♋		
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting* *(effective January 1, 2014)*	♋		
PAS 40	Investment Property	♋		
PAS 41	Agriculture			♋
Philippine Interpretations - International Financial Reporting Interpretations Committee (IFRIC)				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities**			♋
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			♋
IFRIC 4	Determining Whether an Arrangement Contains a Lease	♋		
IFRIC 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds**	♋		
IFRIC 6	Liabilities Arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			♋
IFRIC 7	Applying the Restatement Approach under PAS 29, Financial Reporting in Hyperinflationary Economies			♋
IFRIC 9	Reassessment of Embedded Derivatives**	♋		
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives**	♋		
IFRIC 10	Interim Financial Reporting and Impairment			♋
IFRIC 12	Service Concession Arrangements			♋
IFRIC 13	Customer Loyalty Programmes			♋
IFRIC 14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	♋		
	Amendments to Philippine Interpretations IFRIC - 14, Prepayments of a Minimum Funding Requirement and their Interaction**	♋		
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			♋
IFRIC 17	Distributions of Non-cash Assets to Owners**	♋		
IFRIC 18	Transfers of Assets from Customers**	♋		
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments**	♋		
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine**			♋
IFRIC 21	Levies**			♋

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Philippine Interpretations - Standing Interpretations Committee (SIC)				
SIC-7	Introduction of the Euro			♋
SIC-10	Government Assistance - No Specific Relation to Operating Activities			♋
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			♋
SIC-15	Operating Leases - Incentives	♋		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders**	♋		
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	♋		
SIC-29	Service Concession Arrangements: Disclosures			♋
SIC-31	Revenue - Barter Transactions Involving Advertising Services**	♋		
SIC-32	Intangible Assets - Web Site Costs**			♋

* These standards will be effective for periods subsequent to 2013 and are not early adopted by the Company

** These standards have been adopted in the preparation of financial statements but the Company has no significant transactions covered in both years presented

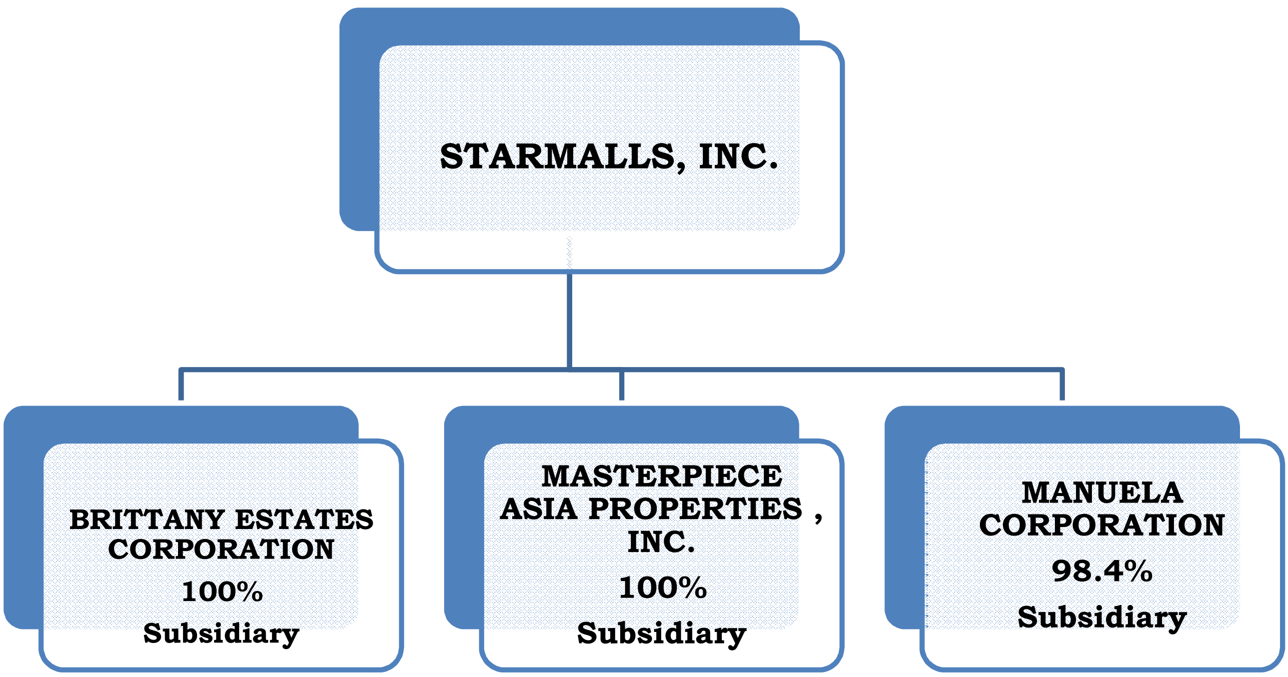
STARMALLS, INC.
(Formerly Polar Properties Holdings Corporation)
3rd Floor, Starmall Las Piñas CV Starr Avenue, Pamplona, Las Piñas City

Reconciliation of Retained Earnings for Dividend Declaration
For the Year Ended December 31, 2013

Unappropriated Retained Earnings Available for Dividend Declaration at Beginning of Year	P	743,866,384
Net Profit Realized during the Year		
Net profit per audited financial statements		1,793,357,069
Unappropriated Retained Earnings Available for Dividend Declaration at End of Year	P	2,537,223,453

STARMALLS INC. AND SUBSIDIARIES
(Formerly Polar Property Holdings Corporation and Subsidiaries)

Map Showing the Relationships between the Company and its Related Entities
December 31, 2013



STARMALLS, INC. AND SUBSIDIARIES
FINANCIAL INDICATORS
DECEMBER 31, 2013

	2013	**2012**
Quick Ratio	1.66	1.91
Current Ratio	3.25	2.82
Debt-to-equity ratio	0.19	0.13
Asset-to-equity ratio	1.19	1.13
Return on Assets	5.2%	2.0%
Return on Equity	6.2%	2.2%