3/L Starmall Las Piñas, CV Starr Avenue, Pamplona, Las Piñas City 1746
UGF Worldwide Corporate Center, Shaw Boulevard, Mandaluyong City 1552
Tel. No. **(+632) 571 4958** / **(+632) 871 4001** | Fax No. **(+632) 872 4697**
Website: www.starmallsinc.com.ph

May 15, 2013

PHILIPPINE STOCK EXCHANGE
3rd Floor Philippine Stock Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City

Attention: **Ms. Janet A. Encarnacion**
Head, Disclosures Department

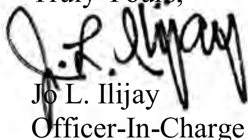
Subject: Starmalls Inc.: **Quarterly Report Q1 2013**

Gentlemen:

Please see attached Amended SEC Form 17-Q for the 1st Quarter 2013 filed today with the Securities and Exchange Commission.

We hope you find everything in order.

Truly Yours,



Jo L. Ilijay
Officer-In-Charge

COVER SHEET

C	S	0	0	0	0	3	9	5	8	7

S.E.C. Registration Number

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

(Company's Full Name)

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

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

Jo L. Ilijay
Contact Person

532-9611/ 871-4001
Company Telephone Number

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

17-Q
FORM TYPE

Month *Day*
Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarter ended March 31, 2013

2. SEC Identification Number 39587

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

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

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

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

7. 3rd Level Starmall Las Piñas, CV Starr Avenue, Philamlife Avenue, Pamplona, Las Piñas City — 1746
Address of Principal Office — Postal Code

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

9. Polar Property Holdings Corp.
Former name, former address and former fiscal year, if change since last report.

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

Title of each Class	Number of Shares of common stock outstanding
Common stock	**7,202,808,365 shares** *(net of 1,223,102,790 Treasury Shares)*
Preferred stock	**2,350,000,000 shares**

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

Yes [x] No [ ]

12. Check whether the registrant:

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

Yes [x] No [ ]

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

Yes [x] No [ ]

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STARMALLS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF MARCH 31, 2013 AND DECEMBER 31, 2012
(In Thousand Pesos)

	Unaudited 03/31/2013	*Audited* 2012
ASSETS		
CURRENT ASSETS		
Cash	1,495,693	1,492,219
Trade and other receivables - net	805,568	688,683
Due from related parties	332,869	316,579
Real estate properties for sale - net	715,855	715,764
Prepayments and other current assets	428,394	414,208
Total Current Assets	3,778,379	3,627,453
NON-CURRENT ASSETS		
Available-for-sale financial assets	20,873	29,157
Investment in an associate	1,742,520	1,679,963
Investment properties	16,126,258	16,045,444
Property and equipment - net	271,311	239,454
Other non-current assets - net	106,254	107,432
Total Non-current Assets	18,267,215	18,101,450
TOTAL ASSETS	22,045,594	21,728,903
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Liability for land acquisition	22,076	22,076
Interest-bearing loans and borrowings	100,286	118,751
Trade and other payables	771,523	832,850
Due to related parties	269,529	269,897
Income tax payable	41,629	30,930
Other current liabilities	14,320	13,432
Total Current Liabilities	1,219,362	1,287,937
NON-CURRENT LIABILITIES		
Liability for land acquisition	23,632	23,632
Interest-bearing loans and borrowings	885,213	634,033
Retirement benefit obligation	24,541	24,541
Deferred gross profit on real estate sales	38,741	38,215
Deferred tax liabilities - net	41,288	41,288
Other noncurrent liabilities	490,169	480,607
Total Non-current Liabilities	1,503,584	1,242,315
Total Liabilities	2,722,946	2,530,252
EQUITY		
Equity attributable to parent company's shareholders		
Capital Stock	8,449,481	8,449,481
Additional paid-in capital	976,059	976,059
Treasury shares	(1,578,228)	(1,578,228)
Revaluation reserves	17,379	25,663
Retained earnings	11,065,640	10,934,740
Total equity attributable to parent company's shareholders	18,930,331	18,807,715
Non-controlling interest	392,317	390,936
Total Equity	19,322,648	19,198,651
TOTAL LIABILITIES AND EQUITY	22,045,594	21,728,903

STARMALLS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED MARCH 31, 2013 AND 2012
(In Thousand Pesos)

	Unaudited Jan - Mar Q1 - 2013	*Unaudited Jan - Mar* 2013	*Unaudited Jan - Mar* Q1 - 2012	*Unaudited Jan - Mar* 2012
REVENUES				
Rent revenue	287,005	287,005	-	-
Equity in net earnings of an associate	62,557	62,557	96,566	96,566
Common usage and service area charges	25,704	25,704	-	-
Parking fees	7,942	7,942	-	-
Other operating income	42,669	42,669	3,160	3,160
	425,877	425,877	99,726	99,726
COSTS AND EXPENSES				
Depreciation & Amortization	140,099	140,099	1,337	1,337
Occupancy expenses	36,993	36,993	2,539	2,539
Outside services	36,230	36,230	1,881	1,881
Repairs and maintenance	9,516	9,516	977	977
Advertising and promotions	5,255	5,255	889	889
Salaries and employee benefits	21,788	21,788	2,534	2,534
Taxes and licenses	15,761	15,761	1,664	1,664
Others	10,227	10,227	3,707	3,707
	275,870	275,870	15,529	15,529
OPERATING PROFIT	150,008	150,008	84,197	84,197
OTHER INCOME (CHARGES)				
Income from acquisition of a subdidiary	-	-		
Loss on disposal of investment	-	-		
Other charges	-	-		
Finance income	6,261	6,261	256	256
Finance costs - net	(836)	(836)	(98)	(98)
	5,426	5,426	158	158
PROFIT BEFORE TAX	155,433	155,433	84,355	84,355
TAX EXPENSE -	(23,152)	(23,152)	-	-
NET INCOME	132,281	132,281	84,355	84,355
OTHER COMPREHENSIVE INCOME (LOSS)				
Fair value gain (loss) on Available for Sale Financial Assets	(8,284)	(8,284)	59,245	59,245
TOTAL COMPREHENSIVE INCOME	123,997	123,997	143,601	143,601
Attributable to:				
Parent company's shareholders	122,616	122,616	143,601	143,601
Minority interest	1,380	1,380	-	-
	123,997	123,997	143,601	143,601
Earnings per Share	P 0.018	P 0.018	P 0.029	P 0.029

STARMALLS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2013 AND 2012
(In Thousand Pesos)

	Unaudited *Jan - Mar* Q1 - 2013	*Unaudited* *Jan - Mar* 2013	*Unaudited* *Jan - Mar* Q1 - 2012	*Unaudited* *Jan - Mar* 2012
EQUITY ATTRIBUTABLE TO PARENT COMPANY'S SHAREHOLDERS				
COMMON STOCK				
Balance at beginning of period	8,425,981	8,425,981	4,892,411	4,892,411
Issuance of shares	-	-	-	-
Treasury shares	(1,578,228)	(1,578,228)	-	-
Balance at end of period	6,847,753	6,847,753	4,892,411	4,892,411
PREFERRED STOCK				
Balance at beginning of period	23,500	23,500	-	-
Treasury shares	-	-	-	-
Balance at end of period	23,500	23,500	-	-
ADDITIONAL PAID-IN CAPITAL	976,059	976,059	20	20
REVALUATION RESERVES				
Balance at beginning of period	25,663	25,663	19,269	19,269
Fair value gains (losses)	(8,284)	(8,284)	59,245	59,245
Balance at end of period	17,379	17,379	78,515	78,515
RETAINED EARNINGS				
Balance at beginning of period	10,934,740	10,934,740	1,354,716	1,354,716
Net income	130,901	130,901	84,355	84,355
Balance at end of period	11,065,640	11,065,640	1,439,071	1,439,071
MINORITY INTEREST				
Balance at beginning of period	390,936	390,936	-	-
Share in net income	1,380	1,380	-	-
MINORITY INTEREST	392,317	392,317	-	-
TOTAL EQUITY	19,322,648	19,322,648	6,410,017	6,410,017

STARMALLS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2013 AND 2012
(In Thousand Pesos)

	Unaudited Jan - Mar Q1 - 2013	*Unaudited Jan - Mar* 2013	*Unaudited Jan - Mar* Q1 - 2012	*Unaudited Jan - Mar* 2012
CASH FLOWS FROM OPERATING ACTIVITIES				
Income (loss) before tax	155,433	155,433	84,355	84,355
Adjustments for:				
Equity in net earnings of an associate	(62,557)	(62,557)	(96,566)	(96,566)
Finance costs	836	836	98	98
Depreciation and amortization	140,099	140,099	1,337	1,337
Interest income	(6,261)	(6,261)	(256)	(256)
Operating income before changes in operating assets and liabilities	227,550	227,550	(11,032)	(11,032)
Decrease (increase) in:				
Trade and other receivables	(116,885)	(116,885)	(34,361)	(34,361)
Real estate properties for sale	(90)	(90)	(144)	(144)
Prepayments and other current assets	(14,186)	(14,186)	(30,725)	(30,725)
Other non-current assets	1,178	1,178	(150)	(150)
Increase (decrease) in:				
Trade and other payables	(61,327)	(61,327)	134,922	134,922
Other current liabilities	887	887	-	-
Income tax payable	10,699	10,699	-	-
Deferred gross profit on real estate sales	527	527	-	-
Other non-current liabilities	9,562	9,562	6,256	6,256
Cash from (used in) operations	57,914	57,914	64,766	64,766
Cash paid for taxes	(23,152)	(23,152)	-	-
Interest received	6,261	6,261	256	256
Interest paid	(836)	(836)	(98)	(98)
Net Cash from (Used in) Operating Activities	40,187	40,187	64,924	64,924
CASH FLOWS FROM INVESTING ACTIVITIES				
Decrease (Increase) in amounts due from related parties	(16,290)	(16,290)	44,830	44,830
Increase in investment properties	(195,849)	(195,849)	(144,960)	(144,960)
Acquisitions of property and equipment	(56,921)	(56,921)	(3,895)	(3,895)
Net Cash Provided by (Used in) Investing Activities	(269,060)	(269,060)	(104,025)	(104,025)
CASH FLOWS FROM FINANCING ACTIVITIES				
Increase (decrease) in amounts due to related parties	(368)	(368)	28,061	28,061
Proceeds from bank loans	251,180	251,180	-	-
Payment of loans	(18,465)	(18,465)	(2,924)	(2,924)
Net Cash From Financing Activities	232,347	232,347	25,137	25,137
NET INCREASE IN CASH	3,474	3,474	(13,964)	(13,964)
CASH AT BEGINNING OF PERIOD	1,492,219	1,492,219	83,515	83,515
CASH AT END OF PERIOD	1,495,693	1,495,693	69,551	69,551

STARMALLS, INC. AND SUBSIDIARIES
NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2013
(Amounts in Philippine Pesos)

1. CORPORATE INFORMATION

Starmalls, Inc. (the Company or parent company) was incorporated and was duly registered with the Philippine Securities and Exchange Commission (SEC) on October 16, 1969, originally to pursue mineral exploration. After obtaining SEC approval in November 10, 2004, the Company changed its primary business and is now presently engaged in investment and real estate business. In June 22, 2012, the SEC approved its capital increase and change in corporate name.

The Company is primarily owned by Fine Properties, Inc.[1] or FPI (30%), Hero Holdings Corp. or HHC (17%), Land and House Public Company Limited or LHPCL (10%), Manuel B. Villar Jr. (9%), Manuel Paolo A. Villar (4%) and Mark A. Villar (2.75%). The Company's shares of stock are listed at the Philippine Stock Exchange (PSE).

As of March 31, 2013, 2012, 2011, the Company has equity interests in the following entities:

Entity	Explanatory Notes	Percentage of Ownership 2013	2012	2011
Subsidiaries:				
Brittany Estate Corporation (BEC)		**100%**	100.0%	100.0%
Masterpiece Asia Properties, Inc. (MAPI)		**100%**	100.0%	100.0%
Manuela Corporation	(a)	**98.36%**	-	-
Associate:				
Vista Land & Lifescapes, Inc. (VLL)	(b)	**4.7**%	9.1%	9.1%

(a) Acquired in June 2012 through share swap.
(b) Sold in the period July-August 2012

Despite the decrease in ownership interest in VLL from 9.1% to 4.7%, the Company still 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 (BOD) is also a director of VLL.

All subsidiaries and associate were incorporated in the Philippines and are primarily engaged in the development and sale of real estate properties and leasing of commercial spaces. Since the Company and its subsidiaries (collectively referred herein as the Group) are engaged in the same primary business of sale of real estate and lease of commercial spaces, no segment information or disclosure is presented in the consolidated financial statements.

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.

[1]The Securities and Exchange Commission approved the merger of Fine Properties Inc. and Adelfa Properties Inc. on March 30, 2010.

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. 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 (FRSC) from the pronouncements issued by the International Accounting Standards Board.

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 Financial Statements

The consolidated financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1 (Revised 2007), *Presentation of Financial Statements*. The Group presents all items of income and expenses in a single statement of comprehensive income. Two comparative periods are presented for the consolidated statement of financial position when the Group applies an accounting policy retrospectively, makes a retrospective restatement of items in its financial statements, or reclassifies items in the consolidated financial statements.

(a) Functional and Presentation Currency

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

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

2.2 Adoption of New Interpretations, Revisions and Amendments to PFRS

(a) Effective in 2010 that are Relevant to the Group

In 2010, the Group adopted the following new revisions and annual improvements that are relevant to the Group and effective for financial statements for the annual period beginning on or after January 1, 2010.

PAS 27 (Revised)	:	Consolidated and Separate Financial Statements
PFRS 3 (Revised 2008)	:	Business Combinations
Philippine Interpretation IFRIC 17	:	Distribution of Non-cash Assets to Owners

Various Standards : 2009 Annual Improvements to PFRS

Discussed below are the effects on the consolidated financial statements of the new and amended standards.

(i) PAS 27 (Revised 2008), *Consolidated and Separate Financial Statements* (effective from July 1, 2009). The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the equity is re-measured to fair value and a gain or loss is recognized in profit or loss. The adoption of the standard did not result in any adjustment to the consolidated financial statements.

(ii) PFRS 3 (Revised 2008), *Business Combinations* (effective from July 1, 2009). The revised standard continues to apply the acquisition method to business combination with significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the profit or loss. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share in the acquiree's identifiable net assets. All acquisition-related costs should be expensed. The Group did not have any business acquisition during the year; hence, the adoption of the revised standard has no effect on the 2010 consolidated financial statements.

(iii) Philippine Interpretation IFRIC 17, *Distribution of Non-cash Assets to Owners* (effective from July 1, 2009). IFRIC 17 clarifies that dividend payable should be recognized when the dividend is appropriately authorized and is no longer at the discretion of the entity. Also, an entity should measure the dividend payable at the fair value of the net assets to be distributed and the difference between the dividend paid and the carrying amount of the net assets distributed should be recognized in profit or loss. The Group's adoption of this interpretation did not have a material impact on the consolidated financial statements because the Group did not distribute non-cash assets to stockholders during the year and in prior years.

(iv) 2009 Annual Improvements to PFRS. The FRSC has adopted the *Improvements to PFRS 2009*. Most of these amendments became effective for annual periods beginning on or after July 1, 2009, or January 1, 2010. Among those improvements, only the following amendments were identified to be relevant to the Group's consolidated financial statements but which did not also have any material impact on its consolidated financial statements:

- PAS 1 (Amendment), *Presentation of Financial Statements* (effective from January 1, 2010). The amendment clarifies the current and non-current classification of a liability that can, at the option of the counterparty, be settled by the issue of the entity's equity instruments.

- PAS 7 (Amendment), *Statement of Cash Flows* (effective from January 1, 2010). The amendment clarifies that only an expenditure that results in a recognized asset can be classified as a cash flow from investing activities. Under its current policies, only recognized assets are classified by the Group as cash flow from investing activities.

- PAS 18 (Amendment), *Revenue* (effective from January 1, 2010). The amendment provides guidance on determining whether an entity is acting as a principal or as an agent. Presently, the Group is the principal in all of its business undertakings.

(b) *Effective in 2010 but not Relevant to the Group*

The following amendment and interpretations to published standards are mandatory for accounting periods beginning on or after January 1, 2010 but are not relevant to the Group's consolidated financial statements:

PAS 39 (Amendment)	:	Financial Instruments: Recognition and Measurement – Eligible Hedged Items
PFRS 1 (Amendment)	:	Additional Exemption for First-time Adopters
PFRS 2 (Amendment)	:	Share-based Payment
Philippine Interpretations		
IFRIC 9	:	Embedded Derivatives – Amendments to IFRIC 9 and PAS 39
IFRIC 18	:	Transfers of Assets from Customers

(c) *Effective Subsequent to 2010*

There are new PFRS, revisions, amendments, annual improvements and interpretations to existing standards that are effective for periods subsequent to 2010. 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 24 (Revised), *Related Party Disclosures* (effective from January 1, 2011). Earlier adoption of the standard, in whole or in part, is permitted but the Group opted not to early adopt the standard. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government and other government-related entities. The Group is currently reviewing the impact of the standard on its related party disclosures in time for its adoption of the revised standard in 2011.

(ii) Philippine Interpretation IFRIC 15 *Agreements for Construction of Real Estate* (effective from January 1, 2012). 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 Contract*, or PAS 18, *Revenue*, and accordingly, when revenue from the construction should be recognized. It is likely to result in PAS 18 being applied to a wider range of transactions. IFRIC is not relevant to the Group's operations as all real estate revenue transactions are accounted for under PAS 18.

(iii) Philippine Interpretation IFRIC 19, *Extinguishing Financial Liabilities with Equity Instruments* (effective on or after July 1, 2010). It addresses accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor to extinguish all or part of the financial liability. These transactions are sometimes referred to as "debt for equity" exchanges or swaps, and have happened with increased regularity during the financial crisis. The interpretation requires the debtor to account for a financial liability which is extinguished by equity instruments as follows:

- the issue of equity instruments to a creditor to extinguish all (or part of a financial liability) is consideration paid in accordance with PAS 39;

- the entity measures the equity instruments issued at fair value, unless this cannot be reliably measured;

- if the fair value of the equity instruments cannot be reliably measured, then the fair value of the financial liability extinguished is used; and,

- the difference between the carrying amount of the financial liability extinguished and the consideration paid is recognized in profit or loss.

Management has determined that the adoption of the interpretation will not have a material effect on its consolidated financial statements as it does not normally extinguish financial liabilities through equity swap.

(iv) PFRS 9, *Financial Instruments* (effective from January 1, 2013). PAS 39 will be replaced by PFRS 9 in its entirety which is being issued in phases. The main phases are (with a separate project dealing with derecognition):

- Phase 1: Classification and Measurement
- Phase 2: Impairment Methodology
- Phase 3: Hedge Accounting

To date, the chapters dealing with recognition, classification, measurement and derecognition of financial assets and liabilities have been issued. These chapters are effective for annual periods beginning January 1, 2013. Other chapters dealing with impairment methodology and hedge accounting are still being developed.

Management is yet to assess the impact that this amendment is likely to have on the financial statements of the Group. However, it does not expect to implement the amendments until all chapters of PFRS 9 have been published at which time the Group expects it can comprehensively assess the impact of the revised standard.

(v) 2010 Annual Improvements to PFRS. The FRSC has adopted the *Improvements to PFRS 2010*. These amendments became effective for annual periods beginning on or after July 1, 2010, or January 1, 2011. The Group expects the amendments to the following standards to be relevant to the Group's accounting policies but does not expect any material effect on its consolidated financial statements.

- PFRS 3, *Business Combinations* (effective from July 1, 2010). This clarifies that contingent consideration balances arising from business combinations that occurred before an entity's date of adoption of PFRS 3 (Revised 2008) shall not be adjusted on the adoption date. It also provides guidance on the subsequent accounting for such balances.

  It further clarifies that the choice of measuring non-controlling interest at fair value or at the proportionate share in the recognized amounts of an acquiree's identifiable net assets, is now limited to non-controlling interest that are present ownership instruments and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation.

  The guidance for the accounting of share-based payment transactions of the acquiree that were voluntarily replaced by the acquirer and acquiree awards that the acquirer chooses not to replace is clarified as well.

- PAS 1, *Presentation of Financial Statements – Clarification of Statement of Changes in Equity* (effective from July 1, 2010). This is a clarification that entities may present the required reconciliations for each component of other comprehensive income either in the statement of changes in equity or in the notes to the consolidated financial statements.

- PAS 21, *The Effects of Changes in Foreign Exchange Rates,* PAS 28, *Investment in Associates*, PAS 31, *Investments in Joint Ventures – Transition Requirements for Amendments Arising as a*

Result of PAS 27, Consolidated and Separate Financial Statements (Revised 2008) (effective from July 1, 2010). This amends the transition requirements to apply certain consequential amendments arising from the 2008 PAS 27 amendments prospectively, to be consistent with the related PAS 27 transition requirements.

2.3 Basis for Consolidation

The consolidated financial statements comprise the accounts of the Company and its subsidiaries (see Note 1), after the elimination of material intercompany transactions and balances. All intercompany balances and transactions with subsidiaries are eliminated in full. The financial statements of PMRVI were deconsolidated in 2009 upon the Company's disposal of its interests in such company.

The financial statements of subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

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

(a) Investments in Subsidiaries

Subsidiaries are all entities over which the Company has the power to control the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are consolidated from the date the Company obtains control until such time that such 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 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.
Goodwill represents the excess of acquisition cost over the Group's share in the fair value of the identifiable net assets of the acquired subsidiary at the date of acquisition. Negative goodwill represents the excess of Company's share in the fair value of identifiable net assets of a subsidiary at date of acquisition over acquisition cost.

(b) Transactions with Non-controlling Interests

The Group applies a policy of treating transactions with non-controlling interests as transactions with parties external to the Group. Purchases of equity shares from non-controlling interests result in goodwill, being the difference between any consideration paid and the relevant share acquired in the carrying value of net assets of the subsidiary. Disposals of equity investments to non-controlling interests result in gains and losses for the Group that are also recorded in equity.

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value, 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.

Upon adoption in 2010 of PAS 27 (Revised 2008), *Consolidated and Separate Financial Statements,* the Group has changed its accounting policy for transactions with non-controlling interests and the accounting for loss of control or significant influence. It has applied the new policy prospectively as required by the standard beginning January 1, 2010. As a result, no adjustments were necessary to any of the amounts previously recognized and reported in the consolidated financial statements.

Before the adoption of the revised PAS 27, transactions with non-controlling interests were treated as transactions with parties external to the Group. As such, disposals resulted in gains or losses in profit or loss and purchases resulted in the recognition of goodwill. On disposal, a proportionate interest in reserves attributable to the subsidiary was reclassified to profit or loss or directly to retained earnings.

(c) Investment in an Associate

Associates are those entities over which the Group is able to exert significant influence but which are neither subsidiaries nor interests 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 purchase accounting. However, any goodwill or fair value adjustment attributable to the 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 charged/credited 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. These changes include subsequent depreciation, amortization or impairment of the fair value adjustments of assets and liabilities.

Items that have been directly recognized in the associate's equity, for example, resulting from the associate's accounting for available-for-sale financial assets, are recognized in the consolidated equity of the Group. Any non-income related equity movements of the associate that arise, for example, from the distribution of dividends or other transactions with the associate's shareholders, are charged against the proceeds received or granted. No effect on the Group's net result or equity is recognized in the course of these transactions. However, when the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

In computing the Group's share in net earnings or losses of associates, unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. 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.

2.4 Financial Assets

Financial assets, which are recognized when the Group becomes a party to the contractual terms of the financial instrument, include cash and cash equivalents and other financial instruments. Financial assets other than those designated hedging instruments are classified into the following

categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. 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 fair value through profit or loss are initially recognized at fair value, plus any directly attributable transaction costs.

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. The amount of the impairment loss is determined as the difference between the assets' carrying amount and the present value of estimated cash flows.

The Group's financial assets categorized as loans and receivables are presented as Cash and Cash Equivalents, Trade and Other Receivables and Due from Related Parties 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 readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

The Trade and Other Receivables account includes installment contract receivables, which generally have 1 to 10-year terms and are recognized initially at fair value and subsequently stated at face value, less accumulated impairment loss, if any. An impairment loss is provided when there is an objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the impairment loss is recognized in the consolidated profit or loss.

These receivables represent buyers' unpaid balances arising from sale of real estate properties. The title to the real estate properties remains with the Group until such time that the Group fully collects its receivable from the buyers.

(b) Available-for-Sale (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 account in the consolidated statement of financial position unless management intends to dispose of the investment within 12 months from the reporting period.

All available-for-sale financial assets are measured at fair value, unless otherwise disclosed, with changes in value recognized in consolidated other comprehensive income, net of any

effects arising from income taxes. When the asset is disposed of or is determined to be impaired, the cumulative 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 consolidated other comprehensive income.

Reversal of impairment loss is recognized in consolidated other comprehensive income, except for financial assets that are debt securities which are recognized in 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 that are recognized in profit or loss are presented as part of Finance Costs or Finance Income in 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.

Derecognition of financial assets occurs when the rights to receive cash flows from the financial instruments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

2.5 Real Estate Properties for Sale

At the end of reporting period, real estate properties for sale are valued at the lower of cost and net realizable value. Cost includes acquisition costs of the land plus the costs incurred for its development, improvement and construction, including capitalized borrowing costs, if any. 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.

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 Investment Properties

Investment property, stated at cost less any impairment in value, is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

The cost of the investment property comprises its purchase price or exchange price and directly attributable costs of acquiring the asset, less any impairment in value.

Investment properties are derecognized when disposed of 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 properties are recognized in the consolidated profit or loss in the year of retirement or disposal.

2.7 Financial Liabilities

Financial liabilities include Trade and Other Payables, Interest-bearing Loans, Due to Related Parties, Liability for Purchased Land, portion of Customers' Advances and Deposits that will be refunded in cash, and Dividends Payable.

Financial liabilities are recognized when the Group becomes a party to the contractual terms of the financial instrument. All interest related charges are recognized as an expense in the consolidated statement of comprehensive income as Finance Costs.

Trade and other payables and due to related parties are recognized initially at their fair value and subsequently measured at amortized cost less settlement payments.

Dividend distributions to shareholders are recognized as financial liabilities when the dividends are approved by the shareholders.

Financial liabilities are derecognized from the consolidated statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration.

2.8 Provisions

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. Provisions are reviewed at 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.

2.9 Revenue and Cost Recognition

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

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) Sale of House and Lot

Revenue from sale of house and lot is generally accounted for using the full accrual method. Under the full accrual method, gross profit on sale is recognized when: (a) the collectibility 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, at least 20%, portion of the contract price 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 full accrual method, the total gross profit is deferred until those requirements are met. The deferred gross profit relating to the sale of house and lot units 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% 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 under the Customers' Advances and Deposits account under the liabilities section of the consolidated statements of financial position.

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

For income tax purposes, revenue on sale of house and lot units 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.

(ii) Interest

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 utilization of goods and 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 house and lot are charged to income when the related revenues are recognized. The costs of unsold units and of units sold before the completion of the contemplated construction are determined based on actual costs incurred plus estimated costs to complete the housing units. The estimated costs to complete of the unsold units are presented as deduction from the determined total costs of those assets to arrive at their carrying values. On the other hand, the estimated costs to complete sold units are presented as Estimated Liability for Property Development under the liabilities section of the consolidated statement of financial position. Additional costs incurred in connection with developed land and completed units and other selling and administrative costs are charged to profit or loss when incurred. All finance cost are reported in the consolidated profit or loss, except capitalized cost of the related qualifying asset on accrual basis.

2.10 Leases – 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 are recognized as expense in the consolidated 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.

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.

2.11 Employee Benefits

(a) Post-employment Benefits

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), *Retirement 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 pension plan covers all regular full-time employees.

The liability recognized in the consolidated statement of financial position for post-employment defined benefit pension plan is the present value of the defined benefit obligation (DBO) at the reporting period less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs. The DBO is calculated annually by independent actuaries using the projected unit credit method. The present value of the DBO is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds 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.

Actuarial gains and losses are not recognized as income or expense unless the total unrecognized gain or loss exceeds 10% of the greater of the obligation and related plan assets. The amount exceeding this 10% corridor is charged or credited to profit or loss over the employees' expected average remaining working lives. Actuarial gains and losses within the 10% corridor are disclosed separately. Past service costs are recognized immediately in the consolidated profit or loss, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortized on a straight-line basis over the vesting period.

(b) Compensated Absences

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 account in the consolidated statement of financial position at the undiscounted amount that the Group expects to pay as a result of the unused entitlement.

2.12 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 directly 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 are being incurred, 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.

2.13 Impairment of Non-financial Assets

The Group's investment in an associate and investment properties are subject to impairment testing. The asset is tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognized for the amount by which the asset'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, based on an internal evaluation of discounted cash flow.

The asset is subsequently reassessed for indications that an impairment loss previously recognized may no longer exist and the carrying amount of the asset is adjusted to the recoverable amount resulting in the reversal of the impairment loss. The increased carrying amount of an asset due to the reversal of an impairment loss is recognized only to the extent that it does not exceed the carrying amount that would have been determined had impairment loss not been recognized for that asset in prior years.

2.14 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 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 provided using the liability method on temporary differences at the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. 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 carryforward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deferred tax asset can be utilized.

The carrying amount of deferred tax assets is reviewed at 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.

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.

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in the consolidated profit or loss. Only changes in deferred tax assets or liabilities that relate to items recognized in other comprehensive income or directly in equity are recognized in the consolidated other comprehensive income or directly in equity.

2.15 Related Party Transactions

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. This includes (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 Company that gives them significant influence over the Company 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.

2.16 Equity

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

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

Revaluation reserves comprise unrealized gains and losses due to the revaluation of AFS financial assets.

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

2.17 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 Company has no dilutive potential common shares that would require disclosure of diluted earnings per share in the consolidated profit or loss.

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 Available-for-sale 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 March 31, 2013 and December 31, 2012. Future changes in those information and circumstances might significantly affect the carrying amount of the assets.

(b) Distinction Between Investment Properties and Real Estate Property for Sale

The Group determines whether a property qualifies as an investment property. In making its judgment, the Group considers whether the property generated cash flows largely independently of the other assets held by an entity. The investment property of the Group is held for capital appreciation and for future lease.

(c) Provisions and Contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on the recognition and disclosure of provision and disclosure of contingencies are discussed in Note 2.8.

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 financial year.

(a) Net Realizable Value of Real Estate Properties for Sale

In determining the net realizable value of real estate properties for sale, management takes into account the most reliable evidence available at the time the estimates are made. 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 March 31, 2013 and December 31, 2012.

(b) Allowance for Impairment of Trade and Other Receivables

Allowance is made for specific 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, the customers' current credit status, average age of accounts, collection experience and historical loss experience.

The carrying value of Trade and Other Receivables amounted to ₱739.4 million and ₱688.7 million as of March 31, 2013 and December 31, 2012, respectively (see Note 5). Allowance

for impairment on trade and other receivables as of the end of the reporting periods amounted to ₱39.1 million as of March 31, 2013 and December 31, 2012, respectively. Based on management's evaluation, no additional impairment loss is necessary to be recognized on trade and other receivables as of March 31, 2013.

(c) 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.

No deferred tax assets were recognized as of March 31, 2013 and December 31, 2012 since management believes that the benefits from the assets may not be utilized in the future.

(d) Impairment of Non-financial Assets

The Group's policy on estimating the impairment of non-financial assets is discussed in Note 2.13. 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 are no impairment losses recognized on investment in an associate and investment properties as of March 31, 2013 and December 31, 2012, based on managements' evaluation.

(e) Principal Assumptions for Estimation of Fair Value of Investment Property

Investment property is measured using the cost model. The fair value disclosed in Note 8 was determined by independent appraisers.

The independent appraiser's estimation of fair values is based on study and evaluation of all the physical economic and other value factors relative to the appraised property. Local market conditions were investigated and were given careful consideration. Among these factors are the following: extent, character and utility of the property; government assessment of real property; local government zoning system; sales and holding prices of similar land; "highest and best use" of the property and all adverse internal and external factors that may tend to affect or influence the value of the property. Further, the appraisal method was performed in accordance with established and accepted appraisal techniques and methodology as practiced in the Philippines under the present economic, social and political condition.

(f) Estimated Costs to Complete the Real Estate Projects

The Group is required to estimate the costs to complete of its real estate projects and recognize a related estimated liability for the development of the property (pertaining to sold but uncompleted units) as the difference between the total estimated cost of the project and the estimated completed portion of the project as of year-end.

The Group estimates its liability for property development for uncompleted housing units sold based on available facts and circumstances, as well as its previous experience. As of March 31, 2012 and December 31, 2012, there are no uncompleted housing units.

(g) Retirement and Other Benefits

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 rate. 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 retirement benefit obligation amounted to ₱24.5 million as of March 31, 2013 and December 31, 2012, while unrecognized actuarial gain amounted to ₱5.6 million as of December 31, 2012.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components as of March 31, 2013 and December 31, 2012:

	31 Mar 2013	31 Dec 2012
Cash on hand and in banks	**P 644,691,211**	P 427,967,977
Short-term placements	**851,002,053**	1,064,251,029
	P 1,495,693,264	P 1,492,219,006

Cash in banks generally earn interest at rates 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 1.6% to 3.9% in 2013 and 2012. Interest from cash in banks and short-term placements are included as part of Finance Income account under Other Income (Charges) in the consolidated statements of comprehensive income.

5. TRADE AND OTHER RECEIVABLES

The balance of this account is composed of the following:

	31 Mar 2013	31 Dec 2012
Receivable from tenants:		
Third party	**P 166,130,106**	P 146,463,126
Related parties under common ownership	**499,652,300**	471,713,754
	665,782,406	618,176,880
Receivables from contractors, suppliers, brokers and others	**158,686,405**	109,570,253
		727,747,133
Allowance for impairment	**(18,900,936)**	(39,064,145)
	P 805,567,875	P 688,682,988

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.

Other receivables consist mainly of advances and down payment to contractors and advances to employees for other capital and operating expenditures which are collectible within one year.

All of the Group's trade and other receivables have been reviewed for indicators 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.

6. REAL ESTATE PROPERTIES FOR SALE

Real estate properties for sale as of March 31, 2013 and December 31, 2012 are stated at cost, the details of which are shown below.

	31 Mar 2013	31 Dec 2012
Residential units for sale	**P 296,757,433**	P 296,757,433
Land for future development	**166,467,235**	166,467,235
Property development costs	**252,630,018**	252,539,782
	P 715,854,686	P 715,764,450

Residential units for sale represent houses and lots in completed subdivision projects for which the Group has already obtained license to sell from Housing and Land Use Regulatory Board of the Philippines. Residential units include houses that are ready for occupancy, house models and units under construction.

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

7. PREPAYMENTS AND OTHER ASSETS

The composition of this account as of March 31:

	31 Mar 2013	31 Dec 2012
Current:		
Input VAT	**P 321,507,548**	P 310,264,320
Short-term installment contracts receivable	**23,427,758**	28,420,485
Creditable withholding taxes	**21,049,124**	25,986,841
Prepayments	**27,378,568**	23,273,484
Others	**35,030,903**	26,262,830
	428,393,901	414,207,960

Non-current:		
Long-term installment contracts receivable	**68,912,107**	68,912,107
Refundable deposits	**37,341,560**	38,519,778
	106,253,667	107,431,885
	P 534,647,567	P 521,639,845

7.1 Short-term Installment Contracts Receivable

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

The fair value of these short-term financial assets is not individually determined as the carrying value is a reasonable approximation of fair value.

Portion of the short-term installment contracts receivable with a total amount of ₱6.2 million is used as collaterals for the Group's interest-bearing loans.

7.2 Long-term Installment Contracts Receivable

This account principally consists of amounts arising from the sale of residential house and lots that are non-interest bearing which are collectible within 2 to 10 years. These receivables are noninterest-bearing and 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 Company for the sale of its residential house and lots.

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.

8. INVESTMENT PROPERTIES

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. Direct costs incurred generally pertain to depreciation charges and real property taxes.

The Group's investment property generates rental income under various operating lease agreements. Rental income from the investment property amounting to ₱287.0 million in the 1st Quarter 2013 is presented as Rental income under Revenue and Income in the 1st Quarter 2013 consolidated statement of comprehensive income

The changes in the carrying amounts of investment properties as of March 31, 2013 and December 31, 2012 presented in the consolidated statements of financial position are summarized as follows:

	31 Mar 2013	31 Dec 2012
Land	**P 8,175,526,800**	P 8,175,526,800
Buildings and improvements, net of accumulated depreciation	**7,528,728,787**	7,600,904,648
Commercial building under construction	**422,022,539**	269,012,785
Balance at end of period	**P 16,126,258,126**	P 16,045,444,233

Commercial building under construction pertains to accumulated costs incurred in the development of certain commercial buildings. Capitalized borrowing costs amounting to ₱13.4 million in 1st Quarter 2013 and ₱41.2 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.

8.1 Investment Property owned by the Company

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

8.2 Investment Property owned by MAPI

The investment property of MAPI represents parcels of land located in Bacoor, Cavite and Mandaluyong City and Starmall San Jose del Monte.

The land located in Bacoor, Cavite was contributed to MAPI by two of its former major stockholders as consideration for their subscription to MAPI's shares of stock. The cost of acquisition and development of approximately 177,746 square meters of MAPI's properties amounting to ₱2.6 billion as of March 31, 2013 and December 31, 2012 are presented as Investment Property since these were held solely for lease once these properties are fully developed. In three to five years, the management of MAPI plans to construct on the said property a commercial center that will be available for lease.

The land located in San Jose, Bulacan amounting to ₱52.5 million, was acquired from Household Development Corporation (HDC), a related party under common ownership, in 2011 and represents its purchase price.

In 2012, MAPI acquired a certain parcel of land located in Mandaluyong City at a cost of ₱163.2 million for future establishment of a commercial property. As of December 31, 2012, the fair value of this property amounted to P175.7 million.

Also in 2012, the Group reclassified portion of commercial building under construction to building and improvements representing the completion of Phase 1 of the commercial building which is already available for lease.

8.3 Investment Property owned by BEC

The investment property owned by BEC includes building and building improvements which are held primarily to earn rental income which have a carrying amount of ₱1.9 million as of March 31, 2013 and December 31, 2012. Presently, BEC is actively looking for additional prospective lessees for the said property.

Management assessed that the carrying amount of the property as of March 31, 2013 approximates its fair value.

8.4 Investment Property owned by MC

The investment property of Manuela, with a carrying value of P10.1 billion as of December 31, 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).

The fair value of the investment properties based on the latest appraisal report as determined by an independent firm of appraisers are as follows:

	Land	**Buildings & Improvements**	**Total**
Starmall Alabang	2,128,000,000	3,629,039,000	5,807,039,000
Starmall EDSA-Shaw	2,979,000,000	1,200,562,000	3,997,562,000
Starmall Las Pinas 1	106,000,000	94,472,000	200,472,000
Starmall Las Pinas 2	254,500,000	335,003,000	589,503,000
Worldwide Corporate Center	-	1,873,394,000	1,873,394,000
Total	**5,467,500,000**	**7,132,470,000**	**12,599,970,000**

9. TRADE AND OTHER PAYABLES

This account consists of:

	31 Mar 2013	31 Dec 2012
Trade payables	**P 162,620,681**	P 214,001,507
Accrued rentals	**274,589,040**	274,589,040
Deferred output VAT	**106,127,535**	107,614,528
Retention payable	**76,911,345**	75,701,971
Construction payable	**61,555,864**	64,370,459
Estimated liability on property development cost	**45,907,516**	45,907,516
Accrued expenses	**31,062,891**	40,400,972
Other payables	**12,747,786**	10,165,165
	P 771,522,759	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.

Due to their short duration, management considers the carrying amounts of Trade and Other Payables recognized in the consolidated statements of financial position to be a reasonable approximation of their fair values

10. EQUITY

10.1 Capital Stock

The Company has 17.0 billion shares of authorized capital stock divided into divided into 16.9 Billion common shares with par value of ₱1.00 per share and 10 Billion voting, cumulative, non-participating, non-convertible and non-redeemable preferred shares with par value of ₱0.01 per share, of which 8,425,981,155 shares are issued and outstanding for a total paid-up capital of ₱8,425,981,155 and as ₱4,892,411,158 of March 31, 2013 and December 31, 2012, respectively.

The list of common holders of the Company is shown below with their respective number of shares held:

	Number of Shares Issued	Percentage Ownership
FPI[1]	2,573,507,156	30%
HHC	1,402,278,726	17%
Manuela Corp. (thru PCD)	1,223,102,790	14%
PCD Nominee Corporation	1,074,233,864	13%
LHPCL	808,431,465	10%
Manuel B. Villar, Jr.	728,900,022	9%
Manuel Paolo A. Villar	361,945,243	4%
Others	253,581,899	3%
	8,425,981,155	100%

On July 9, 2012, 2,350,000,000 preferred shares were issued to Fine Properties Inc. at the issue price equivalent to the par value of the same preferred shares of P0.01 per share.

10.2 Retained Earnings

The Company's BOD approved the declaration of cash dividends of P0.20 per share (or a total of P978,482,232) on November 20, 2007, payable on December 28, 2007, to stockholders of record as of December 5, 2007. As of March 31, 2013 and December 31, 2012, unpaid portion of these dividends amounting to P0.3 million is presented as Dividends Payable in the consolidated statements of financial position. There were no dividends declared for the period ended March 31, 2013 and the years ended December 31, 2012 and 2011.

[1]The Securities and Exchange Commission approved the merger of Fine Properties Inc. and Adelfa Properties Inc. on March 30, 2010.

11. EARNINGS PER SHARE

Earnings per share were computed as follows:

	31 Mar 2013	31 Mar 2012
Net profit attributable to parent company's shareholders	**P 122,616,192**	P 143,600,514
Divided by weighted outstanding common shares	**6,847,753,166**	4,892,411,158
Earnings per share	**P 0.018**	P 0.029

Diluted earnings per share was not determined since the Group does not have potential dilutive shares as of March 31, 2013 and 2012.

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of operations covering three months ended March 31, 2013 vs. three months ended March 31, 2012

Revenues

Rental Revenue
Rental revenue increased from nil for the three months ended March 31, 2012 to ₱287.0 million for the period ended March 31, 2013. 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.

Equity in Net Earnings of an Associate
Equity in net earnings of an associate decreased from ₱96.6 million in the three months ended March 31, 2012 to ₱62.6 million in the period ended March 31, 2013. The 35% decrease was due the decrease in the shareholdings of the Group in VLL.

Common Usage and Service Area Charges
Common usage and service area (CUSA) charges increased from nil in the three months ended March 31, 2012 to ₱25.7 million in the period ended March 31, 2013. 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 three months ended March 31, 2012 to ₱7.9 million in the three months ended March 31, 2013. 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.

Finance Income
Finance income increased by from ₱0.3 million in the three months ended March 31, 2012 to ₱6.3 million in the period ended March 31, 2013. The increase was due to the increase in interest income on receivables from tenants and interest income on the savings and time deposit accounts of the Group.

Other Operating Income
Other operating income increased from ₱3.2 million in the three months ended March 30, 2012 to ₱42.7 million in the period ended March 31, 2013. The increase was due to the increase in income from various charges to tenants of Starmall San Jose del Monte, Starmall Las Pinas, Starmall Las Pinas Annex, Starmall EDSA-Shaw, Starmall Alabang and Worldwide Corporate Center.

Costs and Expenses

Operating Costs and Expenses
Operating cost and expenses increased from ₱15.5 million in the three months ended March 31, 2013 to ₱275.9 million in the period ended March 31, 2013. The increase in the account was primarily attributable to the following:

- Increase in depreciation and amortization from ₱1.4 million in the three months ended March 31, 2012 to ₱140.1 million in the period ended March 31, 2013 due to the increase in buildings and equipment of the Group 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 occupancy expenses from ₱2.5 million in the period ended March 31, 2012 to ₱37.0 million in the three months ended March 31, 2013 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 outside services from ₱1.9 million in the period ended March 31, 2012 to ₱36.2 million in the three months ended March 31, 2013 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 repairs and maintenance from ₱1.0 million in the three months ended March 31, 2012 to ₱9.5 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 advertising and promotion from ₱0.9 million in the three months ended March 31, 2012 to ₱5.3 million in the period ended March 31, 2013 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 from ₱2.5 million in the three months ended March 31, 2012 to ₱21.8 million in the period ended March 31, 2013 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 taxes and licenses from ₱1.7 million in the quarter ended March 31, 2012 to ₱15.8 million in the period ended March 31, 2013 due to 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 other operating expenses from ₱3.7 million in the three months ended March 31, 2012 to ₱16.2 million in the period ended March 31, 2013 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 from ₱0.1 million in the quarter ended March 31, 2013 to ₱0.8 million in the period ended March 31, 2013. This was due to additional interest–bearing loans obtained in the last quarter 2012 and 1st quarter 2013.

Net Income

As a result of the foregoing, the Company's net income increased from ₱84.4 million in the three months ended March 31, 2012 to ₱132.3 million in the three months ended March 31, 2013.

For the three months ended March 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 costs and revenues.

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

Financial Condition as of March 31, 2013 vs. December 31, 2012

Total assets as of March 31, 2013 were ₱21.9 billion compared to ₱22.0 billion as of December 31, 2012 posting a 1% increase. This was due to the following:

- Trade and other receivables posted an increase of 18%, from ₱688.7 million as of December 31, 2012 to ₱814.2 million as of March 31, 2013 due to receivables from tenants and advances made to contractors and suppliers and reclassification of accounts.

- Due from related parties increased by 5% from ₱316.6 million as of December 31, 2012 to ₱332.9 million as of March 31, 2013 due to primarily due to the additional advances made to affiliates in the 1st quarter 2013.

- Prepayments and other current assets increased by 1% from ₱414.2 million as of December 31, 2012 to ₱428.4 million as of March 31, 2013 due to additional input VAT and prepayments in the 1st Quarter.

- Available-for-sale financial assets decreased by 28% from ₱29.2 million as of December 31, 2012 to ₱20.9 million as of March 31, 2013 due to primarily due to the decrease in the fair market value of the investment.

- Investment in associate increased by 4% from ₱1.68 billion as of December 31, 2012 to ₱1.74 billion as of March 31, 2013 due to the take-up of equity in the net income of VLL for the 1st Quarter 2013.

- Investment properties increased by 1% from ₱16.0 billion as of December 31, 2012 to ₱16.1 billion as of March 31, 2013 due to capital expenditures for the upgrade of air-conditioning equipments in Starmall EDSA-Shaw and Starmall Alabang.

- Property and equipment increased by 13% from ₱239.4 million as of December 31, 2012 to ₱225.7 million as of March 31, 2013, due to net effect of purchases of various equipments and depreciation charges for the 1st Quarter.

Total Liabilities as of March 31, 2013 were ₱2.7 billion compared to ₱2.5 billion as of December 31, 2012, or an 8% increase. This was due to the following:

- Current interest-bearing loans and borrowings decreased by 16% from ₱118.8 million as of December 31, 2012 to ₱100.3 million as of March 31, 2013 due to payments made to creditors in the 1st Quarter 2013.

- Trade and other payables decreased by 7% from ₱832.9 million as of December 31, 2012 to ₱771.5 million as of March 31, 2013 due to payments made to contractors, suppliers and consultants in the 1st Quarter 2013.

- Income tax payable increased by 35% from ₱30.9 million as of December 31, 2012 to ₱41.6 million as of March 31, 2013 due to accrued tax payable for the 1st Quarter 2013.

- Other current liabilities increased by 7% from ₱13.4 million as of December 31, 2012 to ₱14.3 million as of March 31, 2013 due to increase in customers' deposits.

- Non-current interest-bearing loans and borrowings by 40% increased from ₱634.0 million as of December 31, 2012 to ₱885.2 million as of March 31, 2013 due to loans availed in the 1st Quarter 2013.

- Other non-current liabilities increased by 2% from ₱480.6 million as of December 31, 2012 to ₱490.2 million as of March 31, 2013 due to receipt of deposits from various mall and BPO building tenants.

Total stockholder's equity increased by 1% from ₱19.2 billion as of December 31, 2012 to ₱19.3 billion as of March 31, 2013 due to the net profit realized for the three months ended March 31, 2013.

Top Five(5) Key Performance Indicators

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

Key Performance Indicators	03/31/2013	03/31/2012
Current ratio [a]	3.1	1.5
Debt-to-equity ratio [b]	0.14	0.13
Interest expense/Income before Interest expense [c]	0.01	0.001
Return on assets [d]	0.6%	1.2%
Return on equity [e]	0.7%	1.3%

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 expense/Income before interest expense: This ratio is obtained by dividing interest expense for the period by its income before 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.

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

Trade and other receivables posted an increase of 18%, from ₱688.7 million as of December 31, 2012 to ₱814.2 million as of March 31, 2013 due to receivables from tenants and advances made to contractors and suppliers and reclassification of accounts.

Due from related parties increased by 5% from ₱316.6 million as of December 31, 2012 to ₱332.9 million as of March 31, 2013 due to primarily due to the additional advances made to affiliates in the 1st quarter 2013.

Prepayments and other current assets increased by 1% from ₱414.2 million as of December 31, 2012 to ₱428.4 million as of March 31, 2013 due to additional input VAT and prepayments in the 1st Quarter.

Available-for-sale financial assets decreased by 28% from ₱29.2 million as of December 31, 2012 to ₱20.9 million as of March 31, 2013 due to primarily due to the decrease in the fair market value of the investment.

Investment in associate increased by 4% from ₱1.68 billion as of December 31, 2012 to ₱1.74 billion as of March 31, 2013 due to the take-up of equity in the net income of VLL for the 1st Quarter 2013.

Investment properties increased by 1% from ₱16.0 billion as of December 31, 2012 to ₱16.1 billion as of March 31, 2013 due to capital expenditures for the upgrade of air-conditioning equipments in Starmall EDSA-Shaw and Starmall Alabang.

Property and equipment increased by 13% from ₱239.4 million as of December 31, 2012 to ₱225.7 million as of March 31, 2013, due to net effect of purchases of various equipments and depreciation charges for the 1st Quarter.

Current interest-bearing loans and borrowings decreased by 16% from ₱118.8 million as of December 31, 2012 to ₱100.3 million as of March 31, 2013 due to payments made to creditors in the 1st Quarter 2013.

Current interest-bearing loans and borrowings decreased by 16% from ₱118.8 million as of December 31, 2012 to ₱100.3 million as of March 31, 2013 due to payments made to creditors in the 1st Quarter 2013.

Trade and other payables decreased by 7% from ₱832.9 million as of December 31, 2012 to ₱771.5 million as of March 31, 2013 due to payments made to contractors, suppliers and consultants in the 1st Quarter 2013.

Income tax payable increased by 35% from ₱30.9 million as of December 31, 2012 to ₱41.6 million as of March 31, 2013 due to accrued tax payable for the 1st Quarter 2013.

Other current liabilities increased by 7% from ₱13.4 million as of December 31, 2012 to ₱14.3 million as of March 31, 2013 due to increase in customers' deposits.

Non-current interest-bearing loans and borrowings by 40% increased from ₱634.0 million as of December 31, 2012 to ₱885.2 million as of March 31, 2013 due to loans availed in the 1st Quarter 2013.

Material Changes to the Company's Statement of Comprehensive Income for the three months ended March 31, 2013 compared to the three months ended March 31, 2012 (increase/decrease of 5% or more)

Rental revenue increased from nil for the three months ended March 31, 2012 to ₱287.0 million for the period ended March 31, 2013. 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.

Equity in net earnings of an associate decreased from ₱96.6 million in the three months ended March 31, 2012 to ₱62.6 million in the period ended March 31, 2013. The 35% decrease was due the decrease in the shareholdings of the Group in VLL.

Common usage and service area (CUSA) charges increased from nil in the three months ended March 31, 2012 to ₱25.7 million in the period ended March 31, 2013. 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 three months ended March 31, 2012 to ₱7.9 million in the three months ended March 31, 2013. 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.

Finance income increased by from ₱0.3 million in the three months ended March 31, 2012 to ₱6.3 million in the period ended March 31, 2013. The 2,342% increase was due to the increase in interest income on receivables from tenants and interest income on the savings and time deposit accounts of the Group.

Other operating income increased from ₱3.2 million in the three months ended March 30, 2012 to ₱42.7 million in the period ended March 31, 2013. The 1,250% increase was due to the increase in income from various charges to tenants of Starmall San Jose del Monte, Starmall Las Pinas, Starmall Las Pinas Annex, Starmall EDSA-Shaw, Starmall Alabang and Worldwide Corporate Center.

Increase in depreciation and amortization by 10,379% from ₱1.4 million in the three months ended March 31, 2012 to ₱140.1 million in the period ended March 31, 2013 due to the increase in buildings and equipment of the Group 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 occupancy expenses by 1,357% from ₱2.5 million in the period ended March 31, 2012 to ₱37.0 million in the three months ended March 31, 2013 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 outside services by 1,826% from ₱1.9 million in the period ended March 31, 2012 to ₱36.2 million in the three months ended March 31, 2013 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 repairs and maintenance by 874% from ₱1.0 million in the three months ended March 31, 2012 to ₱9.5 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 advertising and promotion by 491% from ₱0.9 million in the three months ended March 31, 2012 to ₱5.3 million in the period ended March 31, 2013 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 760% from ₱2.5 million in the three months ended March 31, 2012 to ₱21.8 million in the period ended March 31, 2013 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 taxes and licenses by 847% from ₱1.7 million in the quarter ended March 31, 2012 to ₱15.8 million in the period ended March 31, 2013 due to 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 other operating expenses by 176% from ₱3.7 million in the three months ended March 31, 2012 to ₱10.2 million in the period ended March 31, 2013 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 752% from ₱0.1 million in the quarter ended March 31, 2013 to ₱0.8 million in the period ended March 31, 2013. This was due to additional interest–bearing loans obtained in the last quarter 2012 and 1st quarter 2013.

COMMITMENTS AND CONTINGENCIES

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

The Company is contingently liable with respect to certain lawsuits and other claims which are being contested by the subsidiaries and their legal counsels. Management and their legal counsels believe that the final resolution of these claims will not have a material effect on the consolidated financial statements. There are no known trends or demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in increasing or decreasing the Company's liquidity in any material way. The Company sourced its capital requirements through a mix of internally generated cash, sale of liquid assets like installment contracts receivables, pre-selling and joint venture undertakings. The Company does not expect any material cash requirements beyond the normal course of the business. The Company is not in default or breach of any note, loan, lease or other indebtedness or financing arrangement requiring it to make payments.

There are no events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation except for those items disclosed in the 1st Quarter 2013 Financial Statements.

There are no material off-balance sheet transactions, arrangements, obligation (including contingent obligations), or other relationships of the Company with unconsolidated entities or other persons created during the reporting period except those disclosed in the 1st Quarter 2013 Financial Statements.

There are no material commitments for capital expenditures, events or uncertainties that have had or that are reasonably expected to have a material impact on the continuing operations of the Company.

There were no seasonal aspects that had a material effect on the financial condition or results of operations of the Company. There are no explanatory comments on the seasonality of the operations. There are no material events subsequent to the end of the fiscal period that have not been reflected in the financial statements.

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

PART II - OTHER INFORMATION

Item 3. 1st Quarter Developments

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

None.

B. **Composition of Board of Directors**

Manuel B. Villar Jr.	Chairman of the Board
Jerry M. Navarrete	Director, President and CEO
Frances Rosalie T. Coloma	Director, Treasurer and CFO
Manuel Paolo A. Villar	Director
Anant Asavabhokin	Director
Joel L. Bodegon	Independent Director

Carolina C. Mejias Independent Director

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

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

D. **Declaration of Dividends.**

None.

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

None.

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

None.

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

None.

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

None.

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

None.

Item 4. Other Notes as of the 1st Quarter 2013 Operations and Financials.

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

None.

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

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

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

See Notes to Financial Statements and Management Discussion and Analysis.

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

None.

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

None.

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

None.

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

None.

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

None.

R. Material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.

None.

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

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

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

As of March 31, 2013, no known trends, events or uncertainties that are reasonably expected to have impact on sales/revenues/income from continuing operations except for those being disclosed in the nine months ended March 31, 2013 financial statements.

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

None.

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

None.

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

None.

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

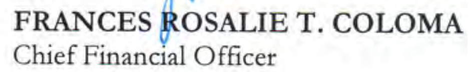
None.

SIGNATURES

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

STARMALLS, INC.
Issuer

By:



FRANCES ROSALIE T. COLOMA
Chief Financial Officer

Date: May 15, 2013