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

August 14, 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 Q2 2013**

Gentlemen:

Please see attached Amended SEC Form 17-Q for the 2nd 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

571-5948 / 871-4001
Company Telephone Number

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

17-Q
FORM TYPE

Month *Day*
Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarter ended June 30, 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	**7,202,878,365 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 JUNE 30, 2013 AND DECEMBER 31, 2012
(In Thousand Pesos)

	Unaudited 06/30/2013	*Audited* 2012
A S S E T S		
CURRENT ASSETS		
Cash	1,564,581	1,492,219
Trade and other receivables - net	649,259	688,683
Interest-bearing receivables	2,772,298	-
Due from related parties	293,120	316,579
Real estate properties for sale - net	716,793	715,764
Prepayments and other current assets	447,321	414,208
Total Current Assets	6,443,373	3,627,453
NON-CURRENT ASSETS		
Available-for-sale financial assets	19,017	29,157
Investment in an associate	-	1,679,963
Investment properties	16,346,487	16,045,444
Property and equipment - net	267,393	239,454
Other non-current assets - net	106,254	107,432
Total Non-current Assets	16,739,150	18,101,450
TOTAL ASSETS	23,182,523	21,728,903
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Liability for land acquisition	22,076	22,076
Ca Interest-bearing loans and borrowings	83,545	118,751
Trade and other payables	616,723	832,850
Due to related parties	272,004	269,897
Income tax payable	11,464	30,930
Other current liabilities	14,810	13,432
Total Current Liabilities	1,020,622	1,287,937
NON-CURRENT LIABILITIES		
Liability for land acquisition	23,632	23,632
Interest-bearing loans and borrowings	1,111,613	634,033
Retirement benefit obligation	24,541	24,541
Deferred gross profit on real estate sales	36,377	38,215
Deferred tax liabilities - net	41,288	41,288
Other noncurrent liabilities	491,521	480,607
Total Non-current Liabilities	1,728,972	1,242,315
Total Liabilities	2,749,594	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	15,523	25,663
Retained earnings	12,174,475	10,934,740
Total equity attributable to parent company's shareholders	20,037,309	18,807,715
Non-controlling interest	395,620	390,936
Total Equity	20,432,929	19,198,651
TOTAL LIABILITIES AND EQUITY	23,182,523	21,728,903

STARMALLS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED JUNE 30, 2013 AND 2012
(In Thousand Pesos)

	Unaudited *Apr - Jun* Q2 - 2013	*Unaudited* *Jan - Jun* 2013	*Unaudited* *Apr - Jun* Q2 - 2012	*Unaudited* *Jan - Jun* 2012
REVENUES				
Rent revenue	297,054	584,059	19,504	19,504
Equity in net earnings of an associate	-	62,557	102,567	199,133
Common usage and service area charges	28,550	54,253	-	-
Parking fees	8,707	16,649	-	-
Other operating income	41,115	83,785	5,136	8,296
	375,426	801,303	127,207	226,933
COSTS AND EXPENSES				
Depreciation & Amortization	140,389	280,488	1,337	2,674
Occupancy expenses	42,291	79,284	7,276	9,815
Outside services	36,932	73,163	4,830	6,711
Repairs and maintenance	8,428	17,944	7,726	8,703
Advertising and promotions	2,073	7,328	1,899	2,789
Salaries and employee benefits	22,753	44,541	2,922	5,456
Taxes and licenses	12,424	28,185	9	1,673
Others	10,626	20,853	3,881	7,588
	275,916	551,786	29,881	45,410
OPERATING PROFIT	99,510	249,518	97,326	181,523
OTHER INCOME (CHARGES)				
Cash paid for taxes	1,029,804	1,029,804	-	-
Finance income	4,558	10,819	190	447
Finance costs - net	(1,087)	(1,922)	(2,961)	(3,060)
	1,033,275	1,038,701	(2,771)	(2,613)
PROFIT BEFORE TAX	1,132,785	1,288,218	94,555	178,910
TAX EXPENSE -	20,648	43,800	-	-
NET INCOME	1,112,138	1,244,419	94,555	178,910
OTHER COMPREHENSIVE INCOME (LOSS)				
Fair value gain (loss) on Available for Sale Financial Assets	(1,856)	(10,141)	(19,991)	39,254
TOTAL COMPREHENSIVE INCOME	1,110,281	1,234,278	74,564	218,164
Attributable to:				
Parent company's shareholders	1,106,978	1,229,594	74,564	218,164
Minority interest	3,303	4,684	-	-
	1,110,281	1,234,278	74,564	218,164
Earnings per Share	P 0.154	P 0.171	P 0.013	P 0.030

STARMALLS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2013 AND 2012
(In Thousand Pesos)

	Unaudited *Apr - Jun* Q2 - 2013	*Unaudited* *Jan - Jun* 2013	*Unaudited* *Apr - Jun* Q2 - 2012	*Unaudited* *Jan - Jun* 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	-	-	3,533,570	3,533,570
Treasury shares	(1,578,228)	(1,578,228)	(1,223,103)	(1,223,103)
Balance at end of period	6,847,753	6,847,753	7,202,878	7,202,878
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	391,103	391,103
REVALUATION RESERVES				
Balance at beginning of period	17,379	25,663	78,515	19,269
Fair value gains (losses)	(1,856)	(10,141)	(19,991)	39,254
Balance at end of period	15,523	15,523	58,523	58,523
RETAINED EARNINGS				
Balance at beginning of period	11,065,640	10,934,740	1,439,071	1,354,716
Net income	1,108,835	1,239,735	94,555	178,910
Cash paid for taxes	12,174,475	12,174,475	1,533,626	1,533,626
MINORITY INTEREST				
Balance at beginning of period	392,317	390,936	240,427	240,427
Share in net income	3,303	4,684	-	-
MINORITY INTEREST	395,620	395,620	240,427	240,427
TOTAL EQUITY	20,432,929	20,432,929	9,426,558	9,426,558

STARMALLS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2013 AND 2012
(In Thousand Pesos)

	Unaudited *Apr - Jun* Q2 - 2013	*Unaudited* *Jan - Jun* 2013	*Unaudited* *Apr - Jun* Q2 - 2012	*Unaudited* *Jan - Jun* 2012
CASH FLOWS FROM OPERATING ACTIVITIES				
Income (loss) before tax	1,132,785	1,288,218	94,555	178,910
Adjustments for:				
Equity in net earnings of an associate	-	(62,557)	(102,567)	(199,133)
Finance costs	1,087	1,922	2,961	3,060
Gain in sale of investment	(1,029,779)	(1,029,779)	-	-
Depreciation and amortization	140,389	280,488	709	2,046
Interest income	(4,558)	(10,819)	(190)	(447)
Operating income before changes in operating assets and liabilities	239,924	467,474	(4,532)	(15,564)
Decrease (increase) in:				
Trade and other receivables	156,308	39,424	(287,167)	(321,527)
Real estate properties for sale	(938)	(1,028)	(328,764)	(328,908)
Prepayments and other current assets	(18,927)	(33,113)	(247,859)	(278,584)
Other non-current assets	-	1,178	(34,687)	(34,837)
Increase (decrease) in:				
Trade and other payables	(154,800)	(216,127)	619,081	754,411
Other current liabilities	490	1,377	12,746	12,746
Income tax payable	(30,165)	(19,466)	-	-
Deferred gross profit on real estate sales	(2,364)	(1,838)	-	-
Other non-current liabilities	1,353	10,915	-	-
Cash from (used in) operations	190,880	248,794	(271,181)	(212,263)
Cash paid for taxes	(20,648)	(43,800)	-	-
Interest received	4,558	10,819	190	447
Interest paid	(1,087)	(1,922)	(2,961)	(3,060)
Net Cash from (Used in) Operating Activities	173,704	213,892	(273,952)	(214,876)
CASH FLOWS FROM INVESTING ACTIVITIES				
Decrease (Increase) in amounts due from related parties	39,749	23,458	(45,330)	(500)
Increase in investment properties	(339,830)	(535,679)	(3,294,006)	(3,438,967)
Acquisitions of property and equipment	(16,870)	(73,790)	(11,757)	(15,652)
Net Cash Provided by (Used in) Investing Activities	(316,951)	(586,011)	(3,351,094)	(3,455,119)
CASH FLOWS FROM FINANCING ACTIVITIES				
Issuance of new shares	-	-	3,533,570	3,533,570
Increase (decrease) in amounts due to related parties	2,475	2,107	(325,048)	(296,987)
Proceeds from bank loans	226,400	477,580	420,000	420,000
Increase (decrease) in borrowings	-	-	208,014	208,014
Payment of loans	(16,741)	(35,206)	(2,924)	-
Net Cash From Financing Activities	212,134	444,481	3,833,611	3,864,596
NET INCREASE IN CASH	68,888	72,362	208,565	194,602
CASH AT BEGINNING OF PERIOD	1,495,693	1,492,219	69,551	83,515
CASH AT END OF PERIOD	1,564,581	1,564,581	278,117	278,117

STARMALLS, INC. AND SUBSIDIARIES
NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 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.

On May 14, 2012, the Company's BOD authorized the change in name of the Company from Polar Property Holdings Corporation to Starmalls, Inc. and the increase in the Company's authorized capital stock from P5.5 billion divided into 5.5 billion shares with P1 par value to P17.0 billion divided into 16.9 billion common shares with P1 par value and 10.0 billion preferred shares with P0.01 par value. The SEC approved the Company's application for the change in its corporate name and application for increase in authorized capital stock on June 22, 2012.

The Company is primarily owned by Fine Properties, Inc.[1] or FPI (36%), Althorp Holdings Inc. or AHI[2] (23%), 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 June 30, 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%**	98.36%	-
Associate:				
Vista Land & Lifescapes, Inc. (VLL)	(b)	**0.00**%	9.1%	9.1%

(a) Acquired in June 2012 through share swap.
(b) Sold in the period July-August 2012 and May 2013

In September 2012, the Company sold 378,100,000 shares of its investment in VLL.

In May 2013, the Company and FPI executed a share purchase agreement whereby the Company sold to FPI its 399,397,000 million VLL shares which shall be payable in installments over a period of five (5) years with the remaining unpaid balance bearing interest at the rate of four percent (4%) per annum.

[1] *The SEC approved the merger of Fine Properties Inc. and Adelfa Properties Inc. on March 30, 2010.*
[2] *The SEC approved the merger of Althorp Holdings, Inc., Hero Holdings Corp. and Vitale Properties & Holdings Corp. on December 21, 2012.*

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of Preparation of Consolidated Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

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

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

(b) Presentation of Financial Statements

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

(c) Functional and Presentation Currency

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

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

2.2 *Adoption of New and Amended PFRS*

(a) Effective in 2012 that are Relevant to the Group

The following amendments to PFRS are mandatory for accounting periods beginning on or after July 1, 2011 and January 1, 2012 but are relevant to the Group's consolidated financial statements:

PFRS 7 (Amendment) : Financial Instruments: Disclosures – Transfers of Financial Assets

PAS 12 (Amendment) : Income Taxes – Deferred Taxes: Recovery of Underlying Assets

Discussed below are relevant information about these amended standards.

(i) PFRS 7, (Amendment), *Financial Instruments: Disclosures – Transfers of Financial Assets,* The amendment requires additional disclosures that will allow users of consolidated financial statements to understand the relationship between transferred financial assets that are not derecognized in their entirety and the associated liabilities; and, to evaluate the nature of, and risk associated with any continuing involvement of the reporting entity in financial assets that are derecognized in their entirety. The Group did not transfer any financial asset involving this type of arrangement; hence, the amendment did not result in any significant change in the Group's disclosures in its consolidated financial statements.

(ii) PAS 12 (Amendment), *Income Taxes – Deferred Tax: Recovery of Underlying Assets*. The amendment introduces a rebuttable presumption that the measurement of a deferred tax liability or asset that arises from investment property measured at fair value under PAS 40, *Investment Property* should reflect the tax consequence of recovering the carrying amount of the asset entirely through sale. The presumption is rebutted for depreciable investment property (e.g., building) that is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the asset over time, rather than through sale. Moreover, Standing Interpretation Committee 21, *Income Taxes – Recovery of Revalued Non-Depreciable Assets*, is accordingly withdrawn and is incorporated under PAS 12 requiring that deferred tax on non-depreciable assets that are measured using the revaluation model in PAS 16, *Property, Plant and Equipment* should always be measured on a sale basis of the asset. The amendment has no significant impact on the Group's consolidated financial statements as the Group's investment properties are not measured using the fair value model.

(b) Effective in 2012 but not Relevant to the Group

PFRS 1, First-time Adoption of PFRS was amended to provide relief for first-time adopters of PFRS from having to reconstruct transactions that occurred before the date of transition to PFRS and to provide guidance for entities emerging from severe hyperinflation either to resume presenting PFRS financial statements or to present PFRS financial statements for the first time. The amendment became effective for annual periods beginning on or after July 1, 2011 but is not relevant to the Group's consolidated financial statements.

(c) Effective Subsequent to 2012 but not Adopted Early

There are new PFRS, amendments and annual improvements to existing standards that are effective for periods subsequent to 2012. 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 1(Amendment), *Financial Statements Presentation – Presentation of Items of Other Comprehensive Income* (effective from July 1, 2012). The amendment requires an entity to group items presented in other comprehensive income into those that, in accordance with other PFRSs: (a) will not be reclassified subsequently to profit or loss; and, (b) will be reclassified subsequently to profit or loss when specific conditions are met. The Group's management expects that this will not significantly change the current presentation as there is only one item that may affect other comprehensive income and this is the revaluation reserve on available-for-sale (AFS).

(ii) PFRS 7 (Amendment), *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities* (effective from January 1, 2013). The amendment requires qualitative and quantitative disclosures relating to gross and net amounts of recognized financial instruments that are set-off in accordance with PAS 32, *Financial Instruments: Presentation*. The amendment also requires disclosure of information about recognized financial instruments which are subject to enforceable master netting arrangements or similar agreements, even if they are not set-off in the consolidated statement of financial position, including those which do not meet some or all of the offsetting criteria under PAS 32 and amounts related to a financial collateral. These disclosures will allow financial statement users to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with recognized financial assets and financial liabilities on the entity's financial position. The Group has initially assessed that the adoption of the amendment will not have a significant impact on its consolidated financial statements.

(iii) PFRS 13, *Fair Value Measurement* (effective from January 1, 2013). This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across PFRS. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards. Management is in the process of reviewing its valuation methodologies for conformity with the new requirements and does not expect this amendment to have a significant impact on its consolidated financial statements.

(iv) PAS 19 (Revised), *Employee Benefits* (effective from January 1, 2013). The amendment made a number of changes as part of the improvements throughout the standard. The main changes relate to defined benefit plans as follows:

- eliminates the corridor approach under the existing guidance of PAS 19 and requires an entity to recognize all gains and losses arising in the reporting period;

- streamlines the presentation of changes in plan assets and liabilities resulting in the disaggregation of changes into three main components of service costs, net interest on net defined benefit obligation or asset, and remeasurement; and,

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

Currently, the Group is using the corridor approach and any unrecognized actuarial gains or losses will be retrospectively recognized as losses in other comprehensive income in 2013.

(v) Consolidation Standards

The Group is currently reviewing the impact on its consolidated financial statements of the following consolidation standards which will be effective from January 1, 2013:

- PFRS 10, *Consolidated Financial Statements*. This standard builds on existing principles of consolidation by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements. The standard also provides additional guidance to assist in determining control where this is difficult to assess.

- PFRS 12, *Disclosure of Interest in Other Entities*. This standard integrates and makes consistent the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and unconsolidated structured entities. This also introduces new disclosure requirements about the risks to which an entity is exposed from its involvement with structured entities.

- PAS 27 (Amendment), *Separate Financial Statements*. This revised standard now covers the requirements pertaining solely to separate financial statements after the relevant discussions on control and consolidated financial statements have been transferred and included in PFRS 10. No new major changes relating to separate financial statements have been introduced as a result of the revision.

- PAS 28 (Amendment), *Investments in Associate and Joint Venture*. This revised standard includes the requirements for joint ventures, as well as associates, to be accounted for using equity method following the issuance of PFRS 11, *Joint Arrangement*.

Subsequent to the issuance of the foregoing consolidation standards, the IASB made some changes to the transitional provisions in International Financial Reporting Standard (IFRS) 10, IFRS 11 and IFRS 12, which were also adopted by the FRSC. The guidance confirms that an entity is not required to apply PFRS 10 retrospectively in certain circumstances and clarifies the requirements to present adjusted comparatives. The guidance also made changes to PFRS 10 and PFRS 12 which provide similar relief from the presentation or adjustment of comparative information for periods prior to the immediately preceding period. Further, it provides relief by removing the requirement to present comparatives for disclosures relating to unconsolidated structured entities for any period before the first annual period for which PFRS 12 is applied.

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

(vii) PFRS 9, Financial Instruments: Classification and Measurement (effective from January 1, 2015). This is the first part of a new standard on financial instruments that will replace PAS 39, *Financial Instruments: Recognition and Measurement*, in its entirety. This chapter covers the classification and measurement of financial assets and financial liabilities and it deals with two measurement categories for financial assets: amortized cost and fair value. All equity instruments will be measured at fair value while debt instruments will be measured at amortized cost only if the entity is holding it to collect contractual cash flows which represent payment of principal and interest. The accounting for embedded derivatives in host contracts that are financial assets is simplified by removing the requirement to consider whether or not they are closely related, and, in most arrangement, does not require separation from the host contract.

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

To date, other chapters of PFRS 9 dealing with impairment methodology and hedge accounting are still being completed.

Further, in November 2011, the IASB tentatively decided to consider making limited modifications to IFRS 9's financial asset classification model to address certain application issues.

The Group does not expect to implement and adopt PFRS 9 until its effective date or until all chapters of this new standard have been published. In addition, management is currently assessing the impact of PFRS 9 on the consolidated financial statements of the Group and it plans to conduct a comprehensive study in 2014 of the potential impact of this standard prior to its mandatory adoption date to assess the impact of all changes.

(viii) Philippine IFRIC 15, *Agreements for Construction of Real Estate*. This Philippine interpretation is based on IFRIC interpretation issued by the IASB in July 2008 effective for annual periods beginning on or after January 1, 2009. The adoption of this interpretation in the Philippines, however, was deferred by the FRSC and Philippine Securities and Exchange Commission after giving due considerations on various application issues and the implication on this interpretation of the IASB's on-going revision of the Revenue Recognition standard. This interpretation provides guidance on how to determine whether an agreement for the construction of real estate is within the scope of PAS 11, *Construction Contracts*, or PAS 18, *Revenue*, and accordingly, when revenue from the construction should be recognized. The main expected change in practice is a shift from recognizing revenue using the percentage of completion method (i.e., as a construction progresses, by reference to the stage of completion of the development) to recognizing revenue at completion upon or after delivery. IFRIC 15 is not relevant to the Group's operations as all real estate revenue are accounted for under PAS 18.

(ix) 2009-2011 Annual Improvements to PFRS. Annual Improvements to PFRS (2009-2011 Cycle) made minor amendments to a number of PFRS, which are effective for annual periods beginning on or after January 1, 2013. Among those improvements, the following amendments are relevant to the Group but management does not expect a material impact on the Group's consolidated financial statements:

(a) PAS 1 (Amendment), *Presentation of Financial Statements – Clarification of the Requirements for Comparative Information.* The amendment clarifies the requirements for presenting comparative information for the following:

- Requirements for opening statement of financial position.

  If an entity applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items that has a material effect on the information in the consolidated statement of financial position at the beginning of the preceding period (i.e., opening statement of financial position), it shall present such third consolidated statement of financial position.

  Other than disclosure of certain specified information in accordance with PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, related notes to the opening statement of financial position as at the beginning of the preceding period are not required to be presented.

- Requirements for additional comparative information beyond minimum requirements

  If an entity presented comparative information in the financial statements beyond the minimum comparative information requirements, the additional financial statements information should be presented in accordance with PFRS including disclosure of comparative information in the related notes for that additional information. Presenting additional comparative information voluntarily would not trigger a requirement to provide a complete set of consolidated financial statements.

(b) PAS 16 (Amendment), Property, Plant and Equipment – Classification of Servicing Equipment. The amendment addresses a perceived inconsistency in the classification requirements for servicing equipment which resulted in classifying servicing equipment as part of inventory when it is used for more than one period. It clarifies that items such as spare parts, stand-by equipment and servicing equipment shall be recognized as property, plant and equipment when they meet the definition of property, plant and equipment, otherwise, these are classified as inventory.

(c) PAS 32 (Amendment), Financial Instruments: Presentation – Tax Effect of Distributions to Holders of Equity Instruments. The amendment clarifies that the consequences of income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction shall be accounted for in accordance with PAS 12. Accordingly, income tax relating to distributions to holders of an equity instrument is recognized in profit or loss while income tax related to the transaction costs of an equity transaction is recognized in equity.

2.3 Basis for Consolidation

The Company obtains and exercises control through voting rights. The Group's consolidated financial statements comprise the accounts of the Company, and its subsidiaries, after the elimination of material intercompany transactions. All intercompany balances and transactions with subsidiaries, including income, expenses and dividends, are eliminated in full. Unrealized profits and losses from intercompany transactions that are recognized in assets are also eliminated in full. Intercompany losses that indicate impairment are recognized in the consolidated financial statements. The financial statements of subsidiaries are prepared for the same reporting period as the Company, using consistent accounting principles.

The Company accounts for its investments in subsidiaries, noncontrolling 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.

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

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any existing equity interest in the acquiree over the acquisition-date fair value of identifiable net assets acquired is recognized as goodwill. If the consideration transferred is less than the fair value of the identifiable net assets of the subsidiaries acquired, in the case of a bargain purchase, the difference is recognized directly as income in profit or loss (see Note 11).

(b) Transactions with Noncontrolling Interests

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

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

(c) Investment in an Associate

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

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

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

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

(a) Loans and Receivables

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

Loans and receivables are subsequently measured at amortized cost using the effective interest method, less impairment loss, if any. Any change in their value is recognized in the consolidated profit or loss. Impairment loss is provided when there is objective evidence that the Group will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the impairment loss is determined as the difference between the assets' carrying amount and the present value of estimated cash flows, discounted at the effective interest rate.

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

The Trade and Other Receivables account includes receivables from tenants and installment contract receivables, which generally have 1 to 10-year terms and are noninterest-bearing instruments. These 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 to it in accordance with 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 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) AFS Financial Assets

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

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

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

The Group's AFS financial asset as of December 31, 2012 and 2011 represent investment in shares of stock of Dizon Copper Silver Mines, Inc., a mining company with shares listed in the PSE and Manuela Metropolis Corporation, company that operates the cinemas and theme park which shares are non-listed and therefore carried at cost.

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.

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

2.5 Real Estate Properties for Sale

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

Except for repossessed residential units, raw land and related development costs including units for sale are carried at the lower of cost and net realizable value. The cost of real estate inventories is based on specific identification method. Cost is defined as purchase price or consideration paid for the land plus capitalizable development and other costs. Considering the pricing policies of the Group, cost is considerably lower than the net realizable value. Repossessed residential units are recorded at the lower of the balance of related receivables (net of deferred gross profit) less allowance for impairment losses, if any, and net realizable value.

Cost includes acquisition costs of the land plus the costs incurred for its development, improvement and construction, including borrowing costs capitalized (see Note 2.15). 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 Property and Equipment

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

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

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

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

Construction in progress represents properties under construction and is stated at cost. This includes cost of construction, applicable borrowing cost and other direct costs (see Note 2.15). The account is not depreciated until such time that the assets are completed and available for use.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.16).

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

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

2.7 Investment Property

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

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

Commercial building under construction represents property that is being constructed or developed for future use as investment property. This includes cost of construction, applicable borrowing costs (see Note 2.15) and other directly attributable costs of bringing the asset to working condition for its intended use. The account is not depreciated until such time that the asset is completed and available for use.

Depreciation and amortization of investment property under building and improvements are computed using the straight-line method over the estimated useful lives ranging from 5 to 40 years. The estimated useful life of the asset is reviewed, and adjusted if appropriate, at the end of each reporting period.
The Group's investment property is 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 (see Note 2.16).

Investment property is derecognized upon disposal or when permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognized in the consolidated profit or loss in the year of retirement or disposal.

2.8 Prepayments and Other Assets

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

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

2.9 Financial Liabilities

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

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

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

Financial liabilities are classified as current liabilities if payment is due to be settled within one year or less after the reporting period, or the Group does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting period. Otherwise, these are presented as non-current liabilities.

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

2.10 Offsetting Financial Instruments

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

2.11 Provisions and Contingencies

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

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

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

2.12 Revenue and Expense Recognition

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

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

(i) Rental income - Rental income is recognized on a straight-line basis over the term of the operating lease. For tax purposes, rental income is recognized based on the contractual terms of the lease (see Note 2.13).

(ii) Real estate sales - For financial reporting purposes, revenue from sale of real estate property is generally accounted for using the full accrual method. Under the full accrual method, gross profit on sale is recognized when: (a) the collectability of the sales price is reasonably assured; (b) the earnings process is virtually complete; and, (c) the seller does not have a substantial continuing involvement with the subject properties. The collectibility of the sales price is considered reasonably assured when: (a) the related loan documents have been delivered to the banks; or (b) the full down payment comprising a substantial, 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 the full accrual method, the total gross profit is deferred until those requirements are met. The deferred gross profit relating to the sale of residential house and lots that meet certain level of collection but still under construction is presented as Deferred Gross Profit on Real Estate Sales under the liabilities section of the consolidated statements of financial position.

The Group recognizes sale of real estate when at least 15% (for the parent company and BEC) and 20% (for Manuela) of the total contract price has already been collected. If the transaction does not yet qualify as sale, the deposit method is applied until all the conditions for recording a sale are met. Pending the recognition of sale, payments received from buyers are presented as Customers' Deposits 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 of real estate sold in the year in which such cancellations are made.

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

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

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

(iv) Interest income - Revenue is recognized as the interest accrues taking into account the effective yield on the related asset. Costs and expenses are recognized in the consolidated profit or loss upon 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 real estate properties are charged to earnings when the related revenues are recognized. The costs of residential house and lots sold before the completion of the contemplated construction are determined based on actual costs incurred plus estimated costs to complete the real estate property. The estimated costs to complete the real estate property are presented as Estimated Liability for Property Development account under Trade and Other Payables in the consolidated statement of financial position. Additional costs incurred in connection with developed land and completed real estate properties and other selling and administrative costs are charged to profit or loss when incurred. Other operating expenses are recognized in the consolidated statement of comprehensive income upon utilization of goods or services or at the date they are incurred. All finance costs are reported in the consolidated profit or loss, except capitalized borrowing costs which are included as part of the cost of the related qualifying asset (see Note 2.15).

2.13 Leases

(a) Group as Lessee

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

(b) Group as Lessor

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

The Group determines whether an arrangement is, or contains, a lease based on the substance of the arrangement. It makes an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

2.14 Employee 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 Pay Law*. RA 7641 relates to a defined benefit plan.

(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 defined benefit post-employment plan covers all regular full-time employees.

The liability recognized in the consolidated statement of financial position for defined benefit post-employment plans is the present value of the defined benefit obligation (DBO) at the end of 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 a discount rate derived from the interest rates of a zero coupon government bonds as published by Philippine Dealing and Exchange Corporation, that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating 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.

2.15 Borrowing Costs

For financial reporting purposes, 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 and borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization ceases when substantially all such activities are complete.

For tax purposes, interests and other borrowing costs are charged to expense when incurred.

2.16 Impairment of Non-Financial Assets

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

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

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

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist and the carrying amount of the asset is adjusted to the recoverable amount resulting in the reversal of the impairment loss.

2.17 Income Taxes

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

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

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

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

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, respectively.

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

2.18 Related party Relationships and 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. These parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Group, (b) associates; and, (c) individuals owning directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the Group and close members of the family of any such individual.

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

2.19 Equity

Capital stock represents the nominal value of shares that have been issued. Additional paid-in capital includes any premium received on the initial issuance of capital stock. Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital, net of any related income tax benefits.

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

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

2.20 Earnings Per Share

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

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

2.21 Events After the End of the Reporting Period

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

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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

3.1 Critical Management Judgments in Applying Accounting Policies

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

(a) Impairment of 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 June 30, 2013 and December 31, 2012. Future changes in those information and circumstances might significantly affect the carrying amount of the assets.

(b) Distinction Among Investment Properties, Real Estate Property for Sale and Owner-Managed Properties

The Group determines whether a property qualifies as investment property. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to the property but also to other assets used in its operation. Real estate properties for sale are those held by the company for sale in the ordinary course of business.

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

(c) *Distinction between Operating and Financial Lease*

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

(d) *Recognition of Provisions and Contingencies*

Judgment is exercised by management to distinguish between provisions and contingencies. Accounting policies on recognition of provisions and contingencies are discussed in Note 2.11 and disclosures on relevant provisions and contingencies are presented in Note 12.

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) *Allowance for Impairment of Trade and Other Receivables*

Adequate amount of allowance for impairment is provided for specific and groups of accounts, where an objective evidence of impairment exists. The Group evaluates these accounts based on available facts and circumstances, including, but not limited to, the length of the Group's relationship with the customers, average age of accounts, collection experience and historical loss experience. The carrying amounts of trade and other receivables and the analysis of allowance for impairment on such financial assets are shown in Note 5.

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

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

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 June 30, 2013 and December 31, 2012.

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

The Group estimates the useful lives of certain investment property and property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of investment property and property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. Based on management's assessment as at June 30, 2013 and December 31, 2012, there is no change in estimated useful lives of investment property and property and equipment during those years. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

(d) Fair Value Measurement for Investment Property

Investment property is measured using the cost model. The fair value disclosed in Note 8 is determined by the Group based on the appraisal report prepared by professional and independent appraisers. The fair value is determined by reference to market-based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and seller in an arm's length transaction as at the valuation date. Such amount is influenced by different factors including the location and specific characteristics of the property(e.g., size, features, and capacity), quantity of comparable properties available in the market, and economic condition and behavior of the buying parties.

(e) Determining Realizable Amount of Deferred Tax Assets

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

(f) Impairment of Non-financial Assets

In assessing impairment, management estimates the recoverable amount of each asset or a cash-generating unit based on expected future cash flows and uses an interest rate to calculate the present value of those cash flows. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate (see Note 2.16). Though management believes that the assumptions used in the estimation of fair values reflected in the consolidated financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

There is no impairment losses recognized on investments in an associate and property and equipment based on management's evaluation as of June 30, 2013 and December 31, 2012.

(g) Estimated Liability on Property Development Costs

The Group estimated that its liability for property development cost for uncompleted cost for uncompleted residential house and lot sold based on updated budgets and available information and circumstances, as well as previous experience. The Estimated Liability for Property Development is presented as part of Trade and Other Payables in the consolidated statement of financial position (see Note 9).

(h) Valuation of Post-employment Defined Benefit

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, salary increase rate and employee turnover 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.

(i) Fair Value Measurement of AFS Financial Asset

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

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components as of June 30, 2013 and December 31, 2012:

	30 Jun 2013	31 Dec 2012
Cash on hand and in banks	**P 554,945,029**	P 427,967,977
Short-term placements	**1,009,635,764**	1,064,251,029
	P 1,564,580,793	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 is 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:

	30 Jun 2013	31 Dec 2012
Receivable from tenants:		
Third party	**P 172,261,700**	P 146,463,126
Related parties under common ownership	**472,146,671**	471,713,754
	644,160,344	618,176,880
Receivables from contractors, suppliers, brokers and others	**23,751,973**	109,570,253
	668,160,344	727,747,133
Allowance for impairment	**(18,900,936)**	(39,064,145)
	P 649,259,408	P 688,682,988

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.

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.

Management believes that the carrying amounts of these trade and other receivables as of June 30, 2013 and December 31, 2012 to be a reasonable approximation of their respective fair values.

6. REAL ESTATE PROPERTIES FOR SALE

Real estate properties for sale as of June 30, 2013 and December 31, 2012 are stated at cost, the details of which are shown below.

	30 Jun 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	**253,567,969**	252,539,782
	P 716,792,637	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 June 30, 2013 and December 31, 2012:

	30 Jun 2013	31 Dec 2012
Current:		
Input VAT	**P 320,707,262**	P 310,264,320
Short-term installment contracts receivable	**26,642,716**	28,420,485
Creditable withholding taxes	**22,717,517**	25,986,841
Prepayments	**34,483,352**	23,273,484
Others	**42,770,525**	26,262,830
	447,321,372	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
TOTAL	**P 553,575,039**	P 521,639,845

7.1 Short-term Installment Contracts Receivable

Short-term installment contracts receivable represents the current portion of the Group's installment contracts receivable. The balance of the account as of June 30, 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 ₱11.3 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 noninterest-bearing and collectible within 2 to 10 years. These receivables are remeasured at amortized cost using the effective interest equivalent to prevailing market rates. Also included in this account are those arising from the internal financing arrangement of the Group for the sale of its residential 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.

The balance of the noncurrent portions of the installment contracts receivables is presented as Long-term installment contract receivable under the Other Non-current Assets account in consolidated statements of financial position.

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 ₱584.0 million in the 1st Semester 2013 is presented as Rental income under Revenue and Income in the 1st Semester 2013 consolidated statement of comprehensive income

The changes in the carrying amounts of investment properties as of June 30, 2013 and December 31, 2012 presented in the consolidated statements of financial position are summarized as follows:

	30 Jun 2013	31 Dec 2012
Land	**P 8,175,526,800**	P 8,175,526,800
Buildings and improvements, net of accumulated depreciation	**7,592,316,470**	7,600,904,648
Commercial building under construction	**578,643,903**	269,012,785
Balance at end of period	**P 16,346,487,173**	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 ₱30.0 million in 1st Semester 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 ₱5.1 million as of June 30, 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 June 30, 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. Currently, a commercial property in the said lot is on-going construction. As of December 31, 2012, the fair value of this property amounted to ₱175.7 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 June 30, 2013 and December 31, 2012.

Management assessed that the carrying amount of the property as of June 30, 2013 approximates its fair value.

8.4 Investment Property owned by MC

The investment property of Manuela, with a carrying value of ₱10.1 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:

	30 Jun 2013	31 Dec 2012
Trade payables	**P 101,197,608**	P 214,001,507
Accrued rentals	**274,589,040**	274,589,040
Deferred output VAT	**107,614,528**	107,614,528
Retention payable	**51,847,649**	75,701,971
Construction payable	**23,415,848**	64,370,459
Estimated liability on property development cost	**45,907,516**	45,907,516
Accrued expenses	**6,950,612**	40,400,972
Other payables	**5,200,068**	10,165,165
	P 616,722,868	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

Capital Stock consists of:

	Shares	Amount
Preferred – voting, cumulative, non-participating, non-convertible, redeemable, P0.01 par value		
Authorized	10,000,000,000	100,000,000
Issued and outstanding	2,350,000,000	23,500,000
Common – P1.00 par value		
Authorized	16,900,000,000	16,900,000,000
Issued and outstanding	8,524,981,155	8,425,981,155
Capital Stock		**8,449,481,155**

**At the consolidation level, the shares of stock of the Company held by Manuela resulted in the recognition of Treasury Stock amounting to P1.6 billion, which is equal to the cost of acquisition by Manuela of the said shares.*

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]	3,065,076,761	36%
AHI[2]	1,962,551,434	23%
Manuela Corp. [3]	1,223,102,790	15%
LHPCL	808,431,465	10%
Manuel B. Villar, Jr.	728,900,022	9%
Manuel Paolo A. Villar	361,945,243	4%
Mark A. Villar	232,015,541	3%
PCD Nominee Corporation	37,826,262	0%
Others	6,131,637	0%
	8,425,981,155	100%

The 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 ₱0.01 per share.

10.2 Retained Earnings

There were no dividends declared for the period ended June 30, 2013 and the years ended December 31, 2012 and 2011.

[1] *Includes shares owned by Adelfa Properties, Inc. which has been merged with Fine Properties, Inc. in March 2010 of which 491,569,605 shares lodged under PCD Nominee Corp. (Filipino)*
[2] *Includes shares owned by Hero Holdings Inc. and Vitale Properties & Holdings Corp. which have been merged with Althorp Holdings Inc. in December 2012 of which 545,363,000 shares are lodged under PCD Nominee Corp. (Filipino)*
[3] *Shares owned by Manuela Corporation (a subsidiary of Starmalls, Inc.) which are lodged under PCD Nominee Corp. (Filipino)*

11. EARNINGS PER SHARE

Earnings per share were computed as follows:

	30 Jun 2013	30 Jun 2012
Net profit attributable to parent company's shareholders	**P 1,229,594,489**	P 218,164,305
Divided by weighted outstanding common shares	**7,202,878,365**	7,202,878,365
Earnings per share	**P 0.171**	P 0.030

Diluted earnings per share was not determined since the Group does not have potential dilutive shares as of June 30, 2013 and 2012.

12. COMMITMENTS AND CONTINGENCIES

The Group is contingently liable with respect to sales contracts and other transactions arising in the ordinary course of business.

There are other commitments and contingent liabilities that arise in the normal course of the Group's operations that are not reflected in the consolidated financial statements. Management is of the opinion that losses, if any, from these items will not have a material effect on the Group's consolidated financial statements.

12.1 Operating Lease Commitments – Manuela as Lessee

Manuela leases a parcel of land from LECA Properties, Inc. (LECA) where the Worldwide Corporate Center is situated for an original period of 25 years commencing on August 1, 1995 until July 31, 2020 with rental escalation every year at an agreed rate ranging from P44.20 to P44.89 per square meter. The lease contract includes a clause that the lessee shall be responsible for all real property taxes, assessments or charges on the improvements on the leased property. In 2003, the approval of the Rehabilitation Plan filed by Manuela changed the rates of rental payments to LECA. Since then, Manuela made periodic lease payments to LECA in accordance with the provisions of the Rehabilitation Plan.

In relation to the Supreme Court (the Court) decision dated September 25, 2007, Manuela made payments during the year to LECA in accordance with the Approved Rehabilitation Plan (the ARP). The Court ordered the Receiver to alter and modify within 30 days from the receipt of the court order the ARP relative to the subject rentals, conformably with and according to the judgment of the Court. The Receiver submitted the ARP with modifications on October 1, 2009. Manuela adjusted the rental payments based on the provision of the lease contract to incorporate the payments due on rentals and arrearages to LECA at the rates stipulated in the lease contract with interest at 6% to 12%.

On September 8, 2010, LECA with conformity from Manuela, filed separate motions to the Court and Regional Trial Court (RTC) of Las Piñas. The motion to the Court seeks the approval of the compromise agreement between the two parties. The motion to the RTC requests for the following: 1) to set aside its Order dated March 29, 2010 approving the Amended Rehabilitation

Plan; 2) to withdraw its motion to reconsider dated May 25, 2010 and set aside its Order dated March 29, 2010; and, 3) to approve the implementation of the parties' settlement agreement.

The compromise agreement with Manuela was executed through a Memorandum of Agreement (MOA) dated August 25, 2010. Under the MOA, LECA agreed to a reduction of the amount of outstanding rentals and arrearages and set a schedule of payment of the agreed amount. Furthermore, on the same MOA, LECA agreed for an extension of the term of the original lease, for an additional 10 years from the expiration of the original lease period, under the same terms and conditions, except as to the rate of rentals which the parties shall agree prior to the expiration of the original lease term.

On August 1, 2012, on a Resolution issued by the Third Division of the Supreme Court, the motion filed by LECA on March 29, 2010 for the approval of the MOA was granted. Accordingly, the case between Manuela and LECA had been closed and terminated.

Rental expense from this operating lease amounted to ₱34.1 million as of June 30, 2013 and ₱63.1 million in 2012, respectively, and is presented as part of Rentals in the statements of comprehensive income.

12.2 Operating Lease Commitments – Group as Lessor

The Group leases out properties under various operating leases with various escalation clause and renewal rights. Rental income from these operating leases in the 1st Semester 2013 amounted to ₱584.1 million and presented as Rental income in the consolidated statement of comprehensive income for the six months ended June 30, 2013.

12.3 Credit Line

As at June 30, 2013, the Group has unused letters of credit with two local banks amounting to ₱267.0 million.

12.4 Legal Matters

As of June 30, 2013, certain lawsuits and claims filed by or against the Group are still pending. Management and its legal counsels believe that the ultimate outcome of these lawsuits and claims will not have a material adverse effect on the Group's consolidated financial statements.

12.5 Others

The Group in the normal course of business makes various commitments and incurs certain contingent liabilities which are not reflected as at June 30, 2013 in the consolidated financial statements. Management believes that losses, if any, that may arise from these commitments and contingencies will not have any material effects on the consolidated financial statements.

13. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks which result from both its operating and investing activities. The Group's risk management is in close cooperation with the Company's BOD and focuses on actively securing the Group's short to medium-term cash flows by minimizing the exposure to financial markets. Long term financial investments are managed to generate lasting returns.

The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed to are described as follows.

13.1 Interest Rate Risk

At June 30, 2013 and December 31, 2012, the Group is exposed to changes in market interest rates through its cash and cash equivalents, which are subject to variable interest rates (see Note 4). All other financial assets and liabilities have fixed rates in 2013 and 2012.

13.2 Credit Risk

Credit risk, or the risk of counterparties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. It is the Group's policy to enter into transactions with a diversity of creditworthy parties to mitigate any significant concentration of credit risk. The Group ensures that sales of products are made to customers with appropriate credit history and has internal mechanism to monitor the granting of credit and management of credit exposures. The Group has made provisions, where necessary, for potential losses on credits extended. Where appropriate, the Group obtains collateral. Generally, the maximum credit risk exposure of financial assets is the total carrying amount of the financial assets as shown on the face of the consolidated statements of financial position as of June 30, 2013 and December 31, 2012.

None of the financial assets are secured by collateral or other credit enhancements.

Trade and other receivables which are past due but not impaired as of June 30, 2013 amounted to ₱0.9 million and have average age of not more than six months. The Group's management considers that all financial assets that are not impaired or past due for each reporting dates are of good credit quality.

The credit risk for cash is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

With respect to installment contract receivables, the Group has no significant concentration of credit risk as its customer base is comprised of individuals, each of which usually acquires a unit on a one-time basis. The Group's receivables are actively monitored to avoid significant concentrations of credit risk. Further, the titles to the residential house and lots sold are transferred only to the buyers upon full payment of the installment contract receivables, effectively using the sold units as collaterals. In addition, for a significant proportion of sales, advance payments are received to mitigate credit risk. The Group has adopted a no-business policy with customers lacking an appropriate credit history where credit records are available. In relation to the Group's due from related parties, it does not identify credit risk with such amounts as these represent advances to related parties which are normally settled through offsetting of accounts.

13.3 Liquidity Risk

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for short-term financial liabilities as well as cash outflows due in a day-to-day business.

The Group maintains cash and obtains financing from its parent company and other related parties to meet its liquidity requirements for up to a 30-day period. Excess cash are invested in time deposits or short-term marketable securities. Funding for long-term liquidity needs is additionally secured if needed.

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

13.4 Other Market Price Risk

The Group's market price risk arises from its AFS financial asset which is carried at fair value. It manages its risk arising from changes in market price by monitoring the changes in the market price of the investment.

14. CAPITAL MANAGEMENT OBJECTIVE POLICIES AND PROCEDURES

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximize shareholders' value. In order to maintain or achieve an optimal capital structure, the Group may issue new shares, obtain new borrowings or sell assets to reduce borrowings.

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

Relevant information is shown below.

	30 Jun 2013	30 Jun 2012
Total liabilities	**P 2,749,594,060**	P 2,366,849,821
Total equity	**20,432,929,196**	9,426,557,689
Debt-to-equity	**0.013:1.00**	0.251:1.00

The Group's Controller has overall responsibility for monitoring capital in proportion to risk. Profiles for capital ratios are set in the light of changes in the Group's external environment and the risks underlying the Group's business, operation and industry.

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of operations covering six months ended June 30, 2013 vs. six months ended June 30, 2012

Revenues

Rental Revenue
Rental revenue increased from ₱19.5 million for the six months ended June 30, 2012 to ₱584.1 million for the period ended June 30, 2013. The 2,895% increase was due to the consolidation of the rental income from Starmall Las Piñas, Starmall Las Piñas Annex, Starmall EDSA-Shaw, Starmall Alabang and Worldwide Corporate Center and the increase in occupancy of Starmall San Jose del Monte.

Equity in Net Earnings of an Associate
Equity in net earnings of an associate decreased from ₱199.1 million in the six months ended June 30, 2012 to ₱62.6 million in the period ended June 30, 2013. The remaining 399,397,000 shares in VLL were sold to FPI in May 2013.

Common Usage and Service Area Charges
Common usage and service area (CUSA) charges increased from nil in the six months ended June 30, 2012 to ₱54.3 million in the period ended June 30, 2013. The 100% increase was due to the consolidation of the income from Starmall Las Piñas, Starmall Las Piñas Annex, Starmall EDSA-Shaw, Starmall Alabang and Worldwide Corporate Center and the increase in occupancy of Starmall San Jose del Monte.

Parking Fees
Parking fee revenue increased from nil in the six months ended June 30, 2012 to ₱16.6 million in the six months ended June 30, 2013. The 100% increase was due to the consolidation of the income from Starmall Las Piñas, Starmall Las Piñas Annex, Starmall EDSA-Shaw, Starmall Alabang and Worldwide Corporate Center.

Finance Income
Finance income increased from ₱0.4 million in the six months ended June 30, 2012 to ₱10.8 million in the period ended June 30, 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 ₱8.3 million in the six months ended June 30, 2012 to ₱83.8 million in the period ended June 30, 2013. The increase was due to the increase in income from various charges to tenants of Starmall San Jose del Monte, Starmall Las Piñas, Starmall Las Piñas Annex, Starmall EDSA-Shaw, Starmall Alabang and Worldwide Corporate Center.

Gain on Disposal of Investment
The Company recorded a gain on disposal of investment in the amount of ₱1.0 billion from the sale of its investment of 399,397,000 shares in VLL to FPI in May 2013.

Costs and Expenses

Operating Costs and Expenses
Operating cost and expenses increased from ₱45.4 million in the six months ended June 30, 2013 to ₱551.8 million in the period ended June 30, 2013. The increase in the account was primarily attributable to the following:

- Increase in depreciation and amortization from ₱2.7 million in the six months ended June 30, 2012 to ₱280.5 million in the period ended June 30, 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 Piñas, Starmall Las Piñas Annex, Starmall EDSA-Shaw, Starmall Alabang and Worldwide Corporate Center.

- Increase in occupancy expenses from ₱9.8 million in the period ended June 30, 2012 to ₱79.3 million in the six months ended June 30, 2013 due to the increase in rent, light and water expenses for the operations of Starmall San Jose del Monte and the consolidation of the operations of Starmall Las Piñas, Starmall Las Piñas Annex, Starmall EDSA-Shaw, Starmall Alabang and Worldwide Corporate Center.

- Increase in outside services from ₱6.7 million in the period ended June 30, 2012 to ₱73.2 million in the six months ended June 30, 2013 due to the increase in security and manpower expenses for the operations of Starmall San Jose del Monte and the consolidation of the operations of Starmall Las Piñas, Starmall Las Piñas Annex, Starmall EDSA-Shaw, Starmall Alabang and Worldwide Corporate Center.

- Increase in repairs and maintenance from ₱8.7 million in the six months ended June 30, 2012 to ₱17.9 million in the six months ended June 30, 2013 due to the repairs made to various equipments and the consolidation of the operations of Starmall Las Piñas, Starmall Las Piñas Annex, Starmall EDSA-Shaw, Starmall Alabang and Worldwide Corporate Center.

- Increase in advertising and promotion from ₱2.8 million in the six months ended June 30, 2012 to ₱7.3 million in the period ended June 30, 2013 due to the operations of Starmall San Jose del Monte and the consolidation of the operations of Starmall Las Piñas, Starmall Las Piñas Annex, Starmall EDSA-Shaw, Starmall Alabang and Worldwide Corporate Center.

- Increase in salaries and employee benefits from ₱5.4 million in the six months ended June 30, 2012 to ₱44.5 million in the period ended June 30, 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 Piñas, Starmall Las Piñas Annex, Starmall EDSA-Shaw, Starmall Alabang and Worldwide Corporate Center.

- Increase in taxes and licenses from ₱1.7 million in the six months ended June 30, 2012 to ₱28.2 million in the period ended June 30, 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 ₱7.6 million in the six months ended June 30, 2012 to ₱20.8 million in the period ended June 30, 2013 due to the operations of Starmall San Jose del Monte and the consolidation of the operations of Starmall Las Piñas, Starmall Las Piñas Annex, Starmall EDSA-Shaw, Starmall Alabang and Worldwide Corporate Center.

Net Income

As a result of the foregoing, the Company's net income increased from ₱178.9 million in the six months ended June 30, 2012 to ₱1,244.4 million in the six months ended June 30, 2013.

For the six months ended June 30, 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 June 30, 2013 vs. December 31, 2012

Total assets as of June 30, 2013 were ₱23.2 billion compared to ₱21.7 billion as of December 31, 2012 posting a 7% increase. This was due to the following:

- Cash and cash equivalents posted an increase of 5% from ₱1.49 billion as of December 31, 2012 to ₱1.56 billion as of June 30, 2013 due to receivables from tenants and advances made to contractors and suppliers and reclassification of accounts.

- Trade and other receivables posted a decrease of 6%, from ₱688.7 million as of December 31, 2012 to ₱649.3 million as of June 30, 2013 due to collection of receivables from tenants and reclassification of accounts.

- Interest-bearing receivable posted an increase of 100%, from nil as of December 31, 2012 to ₱2.8 billion as of June 30, 2013 due to the share purchase agreement between the Company and FPI.

- Due from related parties decreased by 7% from ₱316.6 million as of December 31, 2012 to ₱293.1 million as of June 30, 2013 due to primarily due to payments received from affiliates in the 1st Semester 2013.

- Prepayments and other current assets increased by 8% from ₱414.2 million as of December 31, 2012 to ₱447.3 million as of June 30, 2013 due to additional input VAT and prepayments and advances to contractors made in the 1st Semester 2013.

- Available-for-sale financial assets decreased by 35% from ₱29.2 million as of December 31, 2012 to ₱19.0 million as of June 30, 2013 due to primarily due to the decrease in the fair market value of the investment.

- Investment in associate decreased by 100% from ₱1.68 billion as of December 31, 2012 to nil as of June 30, 2013 due to the share purchase agreement between the Company and FPI.

- Investment properties increased by 2% from ₱16.0 billion as of December 31, 2012 to ₱16.3 billion as of June 30, 2013 due to capital expenditures for the upgrade of air-conditioning equipments in Starmall EDSA-Shaw, Starmall Alabang and Starmall San Jose del Monte and development of the new corporate building to be located along EDSA in Mandaluyong City.

- Property and equipment increased by 12% from ₱239.4 million as of December 31, 2012 to ₱267.4 million as of June 30, 2013, due to net effect of purchases of various equipments and depreciation charges for the 1st Semester 2013.

Total Liabilities as of June 30, 2013 were ₱2.7 billion compared to ₱2.5 billion as of December 31, 2012, or a 9% increase. This was due to the following:

- Current interest-bearing loans and borrowings decreased by 30% from ₱118.8 million as of December 31, 2012 to ₱83.5 million as of June 30, 2013 due to payments made to creditors in the 1st Semester 2013.

- Trade and other payables decreased by 26% from ₱832.9 million as of December 31, 2012 to ₱616.7 million as of June 30, 2013 due to payments made to contractors, suppliers and consultants in the 1st Semester 2013.

- Income tax payable increased by 63% from ₱30.9 million as of December 31, 2012 to ₱11.5 million as of June 30, 2013 due to accrued tax payable for the 1st Semester 2013.

- Other current liabilities increased by 10% from ₱13.4 million as of December 31, 2012 to ₱14.8 million as of June 30, 2013 due to increase in customers' deposits.

- Non-current interest-bearing loans and borrowings increased by 75% from ₱634.0 million as of December 31, 2012 to ₱1.1 billion as of June 30, 2013 due to loans availed in the 1st Semester 2013.

- Deferred gross profit decreased by 5% from ₱38.2 million as of December 31, 2012 to ₱36.4 million as of June 30, 2013 due to realized gross profit in real estate sales in the 1st Semester 2013.

- Other non-current liabilities increased by 2% from ₱480.6 million as of December 31, 2012 to ₱491.5 million as of June 30, 2013 due to receipt of deposits from various mall and BPO building tenants.

Total stockholder's equity increased by 6% from ₱19.2 billion as of December 31, 2012 to ₱20.4 billion as of June 30, 2013 due to the net income realized for the six months ended June 30, 2013.

<u>Top Five(5) Key Performance Indicators</u>

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

Key Performance Indicators	06/30/2013	06/30/2012
Current ratio [(a)]	6.2	0.6
Debt-to-equity ratio [(b)]	0.13	0.00
Interest coverage ratio [(c)]	130	59
Return on assets [(d)]	5.4%	1.5%
Return on equity [(e)]	6.1%	1.9%

Notes:

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

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

(c) Interest coverage ratio: This ratio is obtained by dividing EBIT by its interest expense for the period. This ratio is used to determine how easily a company can pay interest on outstanding debt.

(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 June 30, 2013 compared to December 31, 2012 (increase/decrease of 5% or more)

Cash and cash equivalents posted an increase of 5% from ₱1.49 billion as of December 31, 2012 to ₱1.56 billion as of June 30, 2013 due to receivables from tenants and advances made to contractors and suppliers and reclassification of accounts.

Trade and other receivables posted a decrease of 6%, from ₱688.7 million as of December 31, 2012 to ₱649.3 million as of June 30, 2013 due to collection of receivables from tenants and reclassification of accounts.

Interest-bearing receivable posted an increase of 100%, from nil as of December 31, 2012 to ₱2.8 billion as of June 30, 2013 due to the share purchase agreement between the Company and FPI.

Due from related parties decreased by 7% from ₱316.6 million as of December 31, 2012 to ₱293.1 million as of June 30, 2013 due to primarily due to payments received from affiliates in the 1st Semester 2013.

Prepayments and other current assets increased by 8% from ₱414.2 million as of December 31, 2012 to ₱447.3 million as of June 30, 2013 due to additional input VAT and prepayments and advances to contractors made in the 1st Semester 2013.

Available-for-sale financial assets decreased by 35% from ₱29.2 million as of December 31, 2012 to ₱19.0 million as of June 30, 2013 due to primarily due to the decrease in the fair market value of the investment.

Investment in associate decreased by 100% from ₱1.68 billion as of December 31, 2012 to nil as of June 30, 2013 due to the share purchase agreement between the Company and FPI.

Property and equipment increased by 12% from ₱239.4 million as of December 31, 2012 to ₱267.4 million as of June 30, 2013, due to net effect of purchases of various equipments and depreciation charges for the 1st Semester 2013.

Current interest-bearing loans and borrowings decreased by 30% from ₱118.8 million as of December 31, 2012 to ₱83.5 million as of June 30, 2013 due to payments made to creditors in the 1st Semester 2013.

Trade and other payables decreased by 26% from ₱832.9 million as of December 31, 2012 to ₱616.7 million as of June 30, 2013 due to payments made to contractors, suppliers and consultants in the 1st Semester 2013.

Income tax payable increased by 63% from ₱30.9 million as of December 31, 2012 to ₱11.5 million as of June 30, 2013 due to accrued tax payable for the 1st Semester 2013.

Other current liabilities increased by 10% from ₱13.4 million as of December 31, 2012 to ₱14.8 million as of June 30, 2013 due to increase in customers' deposits.

Non-current interest-bearing loans and borrowings by 75% increased from ₱634.0 million as of December 31, 2012 to ₱1.1 billion as of June 30, 2013 due to loans availed in the 1st Semester 2013.

Deferred gross profit decreased by 5% from ₱38.2 million as of December 31, 2012 to ₱36.4 million as of June 30, 2013 due to realized gross profit in real estate sales in the 1st Semester 2013.

Total stockholder's equity increased by 6% from ₱19.2 billion as of December 31, 2012 to ₱20.4 billion as of June 30, 2013 due to the net income realized for the six months ended June 30, 2013.

Material Changes to the Company's Statement of Comprehensive Income for the six months ended June 30, 2013 compared to the six months ended June 30, 2012 (increase/decrease of 5% or more)

Rental revenue increased from ₱19.5 million for the six months ended June 30, 2012 to ₱584.1 million for the period ended June 30, 2013. The 2,895% increase was due to the consolidation of the rental income from Starmall Las Piñas, Starmall Las Piñas Annex, Starmall EDSA-Shaw, Starmall Alabang and Worldwide Corporate Center and the increase in occupancy of Starmall San Jose del Monte.

Equity in net earnings of an associate decreased from ₱199.1 million in the six months ended June 30, 2012 to ₱62.6 million in the period ended June 30, 2013. The 69% decrease was due the disposal of the remaining shareholdings in VLL.

Common usage and service area (CUSA) charges increased from nil in the six months ended June 30, 2012 to ₱54.3 million in the period ended June 30, 2013. The 100% increase was due to the consolidation of the income from Starmall Las Piñas, Starmall Las Piñas Annex, Starmall EDSA-Shaw, Starmall Alabang and Worldwide Corporate Center and the increase in occupancy of Starmall San Jose del Monte.

Parking fee revenue increased from nil in the six months ended June 30, 2012 to ₱16.6 million in the six months ended June 30, 2013. The 100% increase was due to the consolidation of the income from Starmall Las Piñas, Starmall Las Piñas Annex, Starmall EDSA-Shaw, Starmall Alabang and Worldwide Corporate Center.

Finance income increased by 2,323% from ₱0.4 million in the six months ended June 30, 2012 to ₱10.8 million in the period ended June 30, 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 increased by 910% from ₱8.3 million in the six months ended June 30, 2012 to ₱83.8 million in the period ended June 30, 2013. The increase was due to the increase in income from various charges to tenants of Starmall San Jose del Monte, Starmall Las Piñas, Starmall Las Piñas Annex, Starmall EDSA-Shaw, Starmall Alabang and Worldwide Corporate Center.

Gain on disposal of investment increased by 100% from nil in the period ended June 30, 2012 to ₱1.0 billion in the period ended June 30, 2013 due to the sale of the Company's investment in 399,397,000 VLL shares to FPI in May 2013.

Increase in depreciation and amortization by 10,390% from ₱2.7 million in the six months ended June 30, 2012 to ₱280.5 million in the period ended June 30, 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 Piñas, Starmall Las Piñas Annex, Starmall EDSA-Shaw, Starmall Alabang and Worldwide Corporate Center.

Increase in occupancy expenses by 708% from ₱9.8 million in the period ended June 30, 2012 to ₱79.3 million in the six months ended June 30, 2013 due to the increase in rent, light and water expenses for the operations of Starmall San Jose del Monte and the consolidation of the operations of Starmall Las Piñas, Starmall Las Piñas Annex, Starmall EDSA-Shaw, Starmall Alabang and Worldwide Corporate Center.

Increase in outside services by 990% from ₱6.7 million in the period ended June 30, 2012 to ₱73.2 million in the six months ended June 30, 2013 due to the increase in security and manpower expenses for the operations of Starmall San Jose del Monte and the consolidation of the operations of Starmall Las Piñas, Starmall Las Piñas Annex, Starmall EDSA-Shaw, Starmall Alabang and Worldwide Corporate Center.

Increase in repairs and maintenance by 106% from ₱8.7 million in the six months ended June 30, 2012 to ₱17.9 million in the six months ended June 30, 2013 due to the repairs made to various equipments and the consolidation of the operations of Starmall Las Piñas, Starmall Las Piñas Annex, Starmall EDSA-Shaw, Starmall Alabang and Worldwide Corporate Center.

Increase in advertising and promotion by 163% from ₱2.8 million in the six months ended June 30, 2012 to ₱7.3 million in the period ended June 30, 2013 due to the operations of Starmall San Jose del Monte and the consolidation of the operations of Starmall Las Piñas, Starmall Las Piñas Annex, Starmall EDSA-Shaw, Starmall Alabang and Worldwide Corporate Center.

Increase in salaries and employee benefits by 716% from ₱5.4 million in the six months ended June 30, 2012 to ₱44.5 million in the period ended June 30, 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 Piñas, Starmall Las Piñas Annex, Starmall EDSA-Shaw, Starmall Alabang and Worldwide Corporate Center.

Increase in taxes and licenses by 1,585% from ₱1.7 million in the six months ended June 30, 2012 to ₱28.2 million in the period ended June 30, 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 175% from ₱7.6 million in the six months ended June 30, 2012 to ₱20.8 million in the period ended June 30, 2013 due to the operations of Starmall San Jose del Monte and the consolidation of the operations of Starmall Las Piñas, Starmall Las Piñas Annex, Starmall EDSA-Shaw, Starmall Alabang and Worldwide Corporate Center.

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 projects.

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 Semester 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 Semester 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 Semester Developments

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

On April 2, 2013, the Group held the ground breaking for its new Corporate Building to be located in Wack-Wack, Mandaluyong.

On May 3, 2013, the Group held its ground breaking ceremony for the Phase 2 of Starmall San Jose del Monte.

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
Adisorn Thanan-Narapool	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.

<u>**Item 4. Other Notes as of the 1st Semester 2013 Operations and Financials.**</u>

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

None.

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

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

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

See Notes to Financial Statements and Management Discussion and Analysis.

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

None.

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

None.

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

None.

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

None.

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

None.

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

None.

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

The movement of capital expenditures being contracted arose from the land development and commercial building construction requirements which will be coming from internally generated funds and bank loans.

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 June 30, 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 June 30, 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: August 14, 2013