108142014000729

SECURITIES AND EXCHANGE COMMISSION

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Company Information

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Industry Classification	
Company Type	Stock Corporation

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S.E.C. Registration Number

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

(Company's Full Name)

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

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

Jo L. Ilijay
Contact Person

532-9611/ 871-4001
Company Telephone Number

12 *Month* **31** *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, 2014

2. SEC Identification Number 39587

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

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

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

6. Industry Classification Code (SEC Use Only)

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

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

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

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

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

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

Yes [x] No [ ]

12. Check whether the registrant:

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

Yes [x] No [ ]

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

Yes [x] No [ ]

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STARMALLS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2014 AND DECEMBER 31, 2013
(In Thousand Pesos)

	Unaudited 06/30/2014	*Audited* 2013
ASSETS		
CURRENT ASSETS		
Cash	1,221,291	1,124,306
Trade and other receivables - net	949,565	845,985
Due from related parties	496,970	496,970
Real estate properties for sale - net	707,550	715,556
Available-for-sale financial assets	941,890	903,039
Prepayments and other current assets	746,550	747,578
Total Current Assets	5,063,816	4,833,435
NON-CURRENT ASSETS		
Due from related parties	2,592,652	2,592,652
Available-for-sale financial assets	3,204	3,204
Investment properties	17,202,284	16,389,454
Property and equipment - net	313,803	318,520
Other non-current assets - net	174,095	119,829
Total Non-current Assets	20,286,039	19,423,659
TOTAL ASSETS	25,349,855	24,257,094
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Liability for land acquisition	69,509	21,686
Interest-bearing loans and borrowings	266,886	294,136
Trade and other payables	971,919	999,113
Due to related parties	106,293	106,293
Income tax payable	47,732	41,846
Other current liabilities	31,851	25,148
Total Current Liabilities	1,494,191	1,488,222
NON-CURRENT LIABILITIES		
Liability for land acquisition	21,490	17,850
Interest-bearing loans and borrowings	2,317,382	1,477,440
Retirement benefit obligation	37,338	37,338
Due to related parties	148,502	148,502
Deferred gross profit on real estate sales	31,277	27,722
Deferred tax liabilities - net	99,911	98,173
Other noncurrent liabilities	502,858	500,130
Total Non-current Liabilities	3,158,759	2,307,154
Total Liabilities	4,652,949	3,795,376
EQUITY		
Equity attributable to parent company's shareholders		
Capital Stock	8,449,481	8,449,481
Additional paid-in capital	976,059	976,059
Treasury shares	(1,578,228)	(1,578,228)
Revaluation reserves	(17,529)	(56,381)
Retained earnings	12,615,813	12,424,336
Total equity attributable to parent company's shareholders	20,445,596	20,215,268
Non-controlling interest	251,310	246,451
Total Equity	20,696,905	20,461,719
TOTAL LIABILITIES AND EQUITY	25,349,855	24,257,094

STARMALLS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED JUNE 30, 2014 AND 2013
(In Thousand Pesos)

	Unaudited *Apr - Jun* Q2 - 2014	*Unaudited* *Jan - Jun* 2014	*Unaudited* *Apr - Jun* Q2 - 2013	*Unaudited* *Jan - Jun* 2013
REVENUES				
Rent revenue	341,659	675,773	297,054	584,059
Common usage and service area charges	70,373	131,374	28,550	95,163
Parking fees	10,027	19,751	8,707	16,649
Other operating income	18,532	35,114	41,115	42,875
	440,591	862,011	375,426	738,746
COSTS AND EXPENSES				
Depreciation & Amortization	145,636	291,084	140,389	280,488
Occupancy expenses	46,891	87,440	42,291	79,284
Outside services	48,281	88,139	36,932	73,163
Repairs and maintenance	9,890	20,574	8,428	17,944
Advertising and promotions	1,787	6,405	2,073	7,328
Salaries and employee benefits	26,655	50,776	22,753	44,541
Taxes and licenses	12,620	25,870	12,424	28,185
Others	13,661	27,867	10,626	20,853
	305,421	598,156	275,916	551,786
OPERATING PROFIT	135,170	263,856	99,510	186,961
OTHER INCOME (CHARGES)				
Equity in net earnings of an associate	-	-	-	62,557
Loss on disposal of investment	-	-	1,029,804	1,029,804
GP on real estate sales	-	15,468	-	-
Finance income	4,366	9,800	4,558	10,819
Finance costs - net	(9,462)	(18,880)	(1,087)	(1,922)
	(5,095)	6,388	1,033,275	1,101,258
PROFIT BEFORE TAX	130,074	270,243	1,132,785	1,288,218
TAX EXPENSE -	(35,723)	(73,908)	(20,648)	(43,800)
NET INCOME	94,351	196,335	1,112,138	1,244,419
OTHER COMPREHENSIVE INCOME (LOSS)				
Fair value gain (loss) on Available for Sale Financial Assets	9,228	38,851	(1,856)	(10,141)
TOTAL COMPREHENSIVE INCOME	103,580	235,187	1,110,281	1,234,278
Attributable to:				
Parent company's shareholders	101,382	230,328	1,108,211	1,230,827
Minority interest	2,198	4,859	2,071	3,451
	103,580	235,187	1,110,281	1,234,278
Earnings per Share	P 0.014	P 0.032	P 0.154	P 0.171

STARMALLS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2014 AND 2013
(In Thousand Pesos)

	Unaudited Apr - Jun	*Unaudited Jan - Jun*	*Unaudited Apr - Jun*	*Unaudited Jan - Jun*
EQUITY ATTRIBUTABLE TO PARENT COMPANY'S SHAREHOLDERS	Q2 - 2014	2014	Q2 - 2013	2013
COMMON STOCK				
Balance at beginning of period	8,425,981	8,425,981	8,425,981	8,425,981
Issuance of shares	-	-	-	-
Treasury shares	(1,578,228)	(1,578,228)	(1,578,228)	(1,578,228)
Balance at end of period	6,847,753	6,847,753	6,847,753	6,847,753
PREFERRED STOCK				
Balance at beginning of period	23,500	23,500	23,500	23,500
Treasury shares	-	-	-	-
Balance at end of period	23,500	23,500	23,500	23,500
ADDITIONAL PAID-IN CAPITAL	976,059	976,059	976,059	976,059
REVALUATION RESERVES				
Balance at beginning of period	(26,758)	(56,381)	14,849	23,134
Fair value gains (losses)	9,228	38,851	(1,856)	(10,141)
Balance at end of period	(17,529)	(17,529)	12,993	12,993
RETAINED EARNINGS				
Balance at beginning of period	12,523,660	12,424,336	11,218,195	11,087,295
Net income	92,153	191,477	1,110,067	1,240,968
Balance at end of period	12,615,813	12,615,813	12,328,262	12,328,262
MINORITY INTEREST				
Balance at beginning of period	249,112	246,451	239,958	238,578
Share in net income	2,198	4,859	2,071	3,451
MINORITY INTEREST	251,310	251,310	242,029	242,029
TOTAL EQUITY	20,696,905	20,696,905	20,430,596	20,430,596

STARMALLS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2014 AND 2013
(In Thousand Pesos)

	Unaudited *Apr - Jun* Q2 - 2014	*Unaudited* *Jan - Jun* 2014	*Unaudited* *Apr - Jun* Q2 - 2013	*Unaudited* *Jan - Jun* 2013
CASH FLOWS FROM OPERATING ACTIVITIES				
Income (loss) before tax	130,074	270,243	1,132,785	1,288,218
Adjustments for:				
Equity in net earnings of an associate	-	-	-	(62,557)
Finance costs	9,462	18,880	1,087	1,922
Gain on sale of investment	-	-	(1,029,779)	(1,029,779)
Depreciation and amortization	145,636	291,084	140,389	280,488
Interest income	(4,366)	(9,800)	(4,558)	(10,819)
Operating income before changes in operating assets and liabilities	280,806	570,407	239,924	467,474
Decrease (increase) in:				
Trade and other receivables	(16,787)	(103,579)	97,903	(18,982)
Real estate properties for sale	-	8,006	(938)	(1,028)
Prepayments and other current assets	30,622	1,028	(18,927)	(33,113)
Other non-current assets	(1,273)	(54,267)	-	1,178
Increase (decrease) in:				
Trade and other payables	78,798	24,270	(96,395)	(157,722)
Other current liabilities	(296)	6,703	490	1,377
Income tax payable	(23,642)	5,886	(30,165)	(19,466)
Deferred gross profit on real estate sales	-	3,556	(2,364)	(1,838)
Other non-current liabilities	16,088	2,728	1,353	10,915
Cash from (used in) operations	364,316	464,739	190,880	248,794
Payment of taxes	(27,066)	(72,169)	(20,648)	(43,800)
Interest received	4,366	9,800	4,558	10,819
Interest paid	(9,462)	(18,880)	(1,087)	(1,922)
Net Cash from (Used in) Operating Activities	332,154	383,490	173,704	213,892
CASH FLOWS FROM INVESTING ACTIVITIES				
Decrease (Increase) in amounts due from related parties	-	-	39,749	23,458
Increase in investment properties	(430,898)	(812,830)	(339,830)	(535,679)
Acquisitions of property and equipment	(262,633)	(286,367)	(16,870)	(73,790)
Net Cash Provided by (Used in) Investing Activities	(693,530)	(1,099,197)	(316,951)	(586,011)
CASH FLOWS FROM FINANCING ACTIVITIES				
Increase (decrease) in amounts due to related parties	-	-	2,475	2,107
Proceeds from bank loans	719,983	956,234	226,400	477,580
Payment of loans	(74,933)	(143,541)	(16,741)	(35,206)
Net Cash From Financing Activities	645,051	812,692	212,134	444,481
NET INCREASE IN CASH	283,674	96,985	68,888	72,362
CASH AT BEGINNING OF PERIOD	937,617	1,124,306	1,495,693	1,492,219
CASH AT END OF PERIOD	1,221,291	1,221,291	1,564,581	1,564,581

STARMALLS, INC. AND SUBSIDIARIES
NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2014
(Amounts in Philippine Pesos)

1. CORPORATE INFORMATION

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

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

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

As of June 30, 2014 and 2013, the Company has ownership interests in the following entities (the Company and subsidiaries are collectively referred herein as the Group):

Subsidiaries/Associate	Percentage of Ownership	
	2014	2013
Subsidiaries:		
Brittany Estates Corporation (BEC)	**100.0%**	100.0%
Masterpiece Asia Properties, Inc. (MAPI)	**100.0%**	100.0%
Manuela Corporation (Manuela)	**98.4%**	98.4%
Associate –		
Vista Land & Lifescapes, Inc. (VLL)	-	4.7%

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

All subsidiaries and the associate were incorporated in the Philippines and are primarily engaged in the development and lease of commercial properties and sale of real estate properties

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

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

(b) Presentation of Consolidated Financial Statements

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

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

(c) Functional and Presentation Currency

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

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

2.2 Adoption of New and Amended PFRS

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

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

PAS 1 (Amendment)	:	Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income

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

Discussed below are relevant information about these amended standards.

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

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

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

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

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

(iii) PFRS 7 (Amendment), *Financial Instruments: Disclosures – Offsetting of Financial Assets and Financial Liabilities* (effective from January 1, 2013). The amendment requires qualitative and quantitative disclosures relating to gross and net amounts of recognized financial instruments that are set-off in accordance with PAS 32, *Financial Instruments: Presentation*. The amendment also requires disclosure of information about recognized financial instruments which are subject to enforceable master netting arrangements or similar agreements, even if they are not set-off in the statement of financial position, including those which do not meet some or all of the offsetting criteria under PAS 32

and amounts related to a financial collateral. These disclosures allow financial statement users to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with recognized financial assets and financial liabilities on the entity's statement of financial position. The adoption of this amendment did not result in any significant changes in the Group's disclosures on its consolidated financial statements as it has no master netting arrangements.

(iv) Consolidation, Joint Arrangements, Associates and Disclosures

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

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

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

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

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

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

(v) PFRS 13, *Fair Value Measurement* (effective from January 1, 2013). This new standard clarifies the definition of fair value and provides guidance and enhanced disclosures

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

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

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

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

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

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

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

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

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

(c) *Effective Subsequent to 2013 but not Adopted Early*

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

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

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

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

(iv) PAS 39 (Amendment), *Financial Instruments: Recognition and Measurement –Novation of Derivatives and Continuation of Hedge Accounting* (effective January 1, 2014). The

amendment provides some relief from the requirements on hedge accounting by allowing entities to continue the use of hedge accounting when a derivative is novated to a clearing counterparty resulting in termination or expiration of the original hedging instrument as a consequence of laws and regulations, or the introduction thereof. As the Group neither enters into transactions involving derivative instruments nor it applies hedge accounting, the amendment will not have impact on the consolidated financial statements.

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

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

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

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

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

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

(vi) PFRS 10, 12 and PAS 27 (Amendments) – *Investment Entities* (effective from January 1, 2014). The amendments define the term "investment entities," provide

supporting guidance, and require investment entities to measure investments in the form of controlling interest in another entity, at fair value through profit or loss.

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

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

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

Annual Improvements to PFRS (2010 - 2011 Cycle)

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

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

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

Annual Improvements to PFRS (2011-2013 Cycle)

(a) PFRS 13 (Amendment), *Fair Value Measurement*. The amendment clarifies that the scope of the exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis (the portfolio exception) applies to all contracts within the scope of, and accounted for in accordance with,

PAS 39 or PFRS 9, regardless of whether they meet the definitions of financial assets or financial liabilities as defined in PAS 32.

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

2.3 Basis of Consolidation

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

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

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

(a) Investments in Subsidiaries

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

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

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

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any existing equity interest in the acquiree over the acquisition-date fair value of identifiable net assets acquired is recognized as

goodwill. If the consideration transferred is less than the fair value of the identifiable net assets of the subsidiaries acquired, in the case of a bargain purchase, the difference is recognized directly as income in profit or loss.

(b) *Transactions with Non-controlling Interests*

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

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

(c) *Investment in an Associate*

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

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

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

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

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

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

2.4 Financial Assets

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

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

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

(a) Loans and Receivables

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

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

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

(b) AFS Financial Assets

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

All AFS financial assets are subsequently measured at fair value. Gains and losses from changes in fair value are recognized in other comprehensive income, net of any income tax

effects, and are reported as part of Revaluation Reserves in equity. When financial asset is disposed of or is determined to be impaired, the cumulative fair value gain or loss recognized in the consolidated other comprehensive income is reclassified from revaluation reserve to profit or loss and presented as a reclassification adjustment within other comprehensive income.

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

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

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

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

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

2.5 Real Estate Properties for Sale

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

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

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

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

2.6 Property and Equipment

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

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

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

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

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

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

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

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

2.7 Investment Property

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

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

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

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

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

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

2.8 Prepayments and Other Assets

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

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

2.9 Business Combinations

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

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

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

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

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

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

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

2.10 Financial Liabilities

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

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

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

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

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

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

2.11 Offsetting Financial Instruments

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

2.12 Provisions and Contingencies

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

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

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

2.13 Revenue and Expense Recognition

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

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

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

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

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

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

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

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

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

(iii) *Rendering of services* – Revenue is recognized when the performance of contractually agreed tasks have been substantially rendered. Revenue from rendering of services 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 receipt of goods, utilization of services or at the date they are incurred. Real estate costs that relate to the acquisition, development, improvement and construction of house and lot are capitalized. The capitalized costs of real estate properties are charged to earnings when the related revenues are recognized. The costs of residential house and lots sold before the completion of the contemplated construction are determined based on actual costs incurred plus estimated costs to complete the real estate property.

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

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

2.14 Leases

The Group accounts for its leases as follows:

(a) *Group as Lessee*

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

(b) *Group as Lessor*

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

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

2.14 Employee Benefits

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

(a) *Defined benefit plan*

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

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

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

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

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

(b) *Compensated Absences and Other Employee Benefits*

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

2.15 Borrowing Costs

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

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

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

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

2.16 Impairment of Non-financial Assets

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

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

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

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

2.17 Income Taxes

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

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

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

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

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

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

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

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

2.18 Related Party Transactions and Relationships

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

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

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

2.19 Equity

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

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

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

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

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

2.20 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 statements of comprehensive income.

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 AFS Financial Assets

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

Based on the recent evaluation of information and circumstances affecting the Group's AFS financial assets, management concluded that the AFS financial assets are not impaired as of March 31, 2014 and December 31, 2013 Future changes in those information and circumstances might significantly affect the carrying amount of the assets.

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

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

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

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

(c) Distinction Between Operating and Finance Leases

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

(d) Recognition of Provisions and Contingencies

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

3.2 Key Sources of Estimation Uncertainty

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

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

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

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

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

In determining the net realizable value of real estate inventories, management takes into account the most reliable evidence available at the time the estimates are made. The future realization of the carrying amounts of real estate inventories, as presented in Note 6, is affected by price changes in the different market segments as well as the trends in the real

estate industry. These are considered key sources of estimation uncertainty and may cause significant adjustments to the Group's real estate inventories within the next reporting period.

Management determined that the net carrying values of its real estate properties for sale are lower than their net realizable values based on the present market rates. Accordingly, management did not recognize any valuation allowance on these assets as of March 31, 2014 and December 31, 2013.

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

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

Based on management's assessment as at March 31, 2014 and December 31, 2013, there is no change in estimated useful lives of property and equipment and investment properties during those years. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

(d) Fair Value Measurement for Investment Properties

Investment property is measured using the cost model. The fair value disclosed in Note 10 is determined by the Group based on the appraisal report prepared by professional and independent appraisers. The fair value is determined by reference to market-based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and seller in an arm's length transaction as at the valuation date. Such amount is influenced by different factors including the location and specific characteristics of the property (e.g., size, features, and capacity), quantity of comparable properties available in the market, and economic condition and behavior of the buying parties.

(e) Determining Realizable Amount of Deferred Tax Assets

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

(f) Impairment of Non-financial Assets

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

There is no impairment losses recognized on investments in an associate and property and equipment based on management's evaluation as of March 31, 2014 and December 31, 2013.
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(g) Estimated Liability on Property Development Costs

The Group estimated its liability for property development cost for uncompleted cost for uncompleted residential house and lot sold based on updated budgets and available information and circumstances, as well as previous experience..

(h) Valuation of Post-employment Defined Benefit Plan

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

(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, 2014 and December 31, 2013:

	30 Jun 2014	31 Dec 2013
Cash on hand and in banks	**P 1,221,291,234**	P 1,069,748,242
Short-term placements	**-**	54,557,965
	P 1,221,291,234	P1,124,306,207

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

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

5. TRADE AND OTHER RECEIVABLES

The balance of this account is composed of the following as of June 30, 2014 and December 31, 2013:

	30 Jun 2014	31 Dec 2013
Trade receivables from tenants:		
Third party	**P 445,851,961**	P 396,789,050
Related parties under common ownership	**495,410,410**	440,893,938
	941,262,371	837,682,988
Other receivables	**29,908,943**	29,908,943
	971,171,314	867,591,931
Allowance for impairment	**(21,606,745)**	(21,606,745)
	P 949,564,569	P 845,985,186

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

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

6. REAL ESTATE PROPERTIES FOR SALE

Real estate properties for sale as of June 30, 2014 and December 31, 2013 are stated at cost, the details of which are shown below.

	30 Jun 2014	31 Dec 2013
Residential units for sale	**P 340,504,639**	P 348,511,052
Property development costs	**200,578,074**	200,578,074
Land for future development	**166,467,236**	166,467,236
	P 707,549,949	P 715,764,450

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

A portion of the raw land which is recorded as part of Property development costs was fully developed in 2013. This amounted to P55.9 million and was reclassified to Residential units for sale. There was no similar transaction in the 1st Semester 2014.

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

The estimated development costs related to residential units which are sold but not yet completed as of June 30, 2014 and December 31, 2013 is presented as Estimated liability

on property development cost under Trade and Other Payables in the consolidated statements of financial position.

7. AVAILABLE-FOR-SALE FINANCIAL ASSESTS

The breakdown of this account is as follows:

	30 Jun 2014	31 Dec 2013
Current:		
Debt securities	**P 604,230,380**	P 630,035,640
Equity securities	**337,659,857**	273,003,491
	941,890,237	903,039,131
Non-current –		
Equity securities	**3,204,170**	3,204,170
	P 945,094,406	P 906,243,301

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

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

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

8. INVESTMENT PROPERTY

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

The Group's investment property generates rental income under various operating lease agreements. Rental income from the investment property amounting to P675.8 million and P1,263.6 million for the period ended June 30, 2014 and December 31, 2013, respectively, are presented as Rental income under Revenues and Income in the consolidated statements of comprehensive income.

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

The composition of this account is shown below.

	30 Jun 2014	31 Dec 2013
Land	**P 8,293,665,748**	P 8,293,665,748
Building and improvements, net of accumulated depreciation	**7,298,814,915**	7,562,831,360
Commercial building under construction	**1,609,803,575**	532,957,092
	P 17,202,284,238	P 16,389,454,200

Commercial building under construction pertains to accumulated costs incurred in the development of certain commercial buildings. Capitalized borrowing costs 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 has a carrying amount of P5.1 million as of June 30, 2014 and December 31, 2013. This consists of parcels of land located in Valenzuela City with a total land area of 31,070 square meters. The investment property is being held for capital appreciation.

The fair value of the remaining investment property in Valenzuela as of June 30, 2014 amounted to P59.5 million based on the latest appraisal report dated December 17, 2013 as determined by an independent firm of appraisers.

8.2 Investment Property Owned by MAPI

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

MAPI's land located in Bacoor, Cavite was contributed by two of its former major shareholders as consideration for their subscription to MAPI's shares of stock. The cost of acquisition and development of approximately 177,746 square meters of the said property amounting to P2.6 billion as of June 30, 2014 and December 31, 2013 is presented as part of Investment Property and is currently being developed by the Group as a commercial center that will be available for lease in the future.

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

Commercial buildings under construction are EDSA in Mandaluyong City, Levi Mariano Street in Taguig City, Talisay City in Cebu, Daang Hari and Imus in Cavite, and Sta. Rosa in Laguna . These buildings are expected to be completed and leased out in 2014.

The Group's investment property generates rental income under various operating lease agreements. Rental income from these investment properties amounted to P67.3 million and P107.3 million for the period ended June 30, 2014 and December 31, 2013, respectively and is presented as part of Rental income in the consolidated statements of comprehensive income.

8.3 Investment Property Owned by BEC

Investment property owned by BEC includes a commercial building, which is held to earn rental income, and the related improvements which have a carrying amount of P1.3 million as of June 30, 2014 and December 31, 2013.

8.4 Investment Property Owned by Manuela

The investment property of Manuela, with a total carrying amount of P12.2 billion as of June 30, 2014 and December 31, 2013, 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). These properties are owned and held primarily to earn rental income.

8.5 Fair Value of Investment Property

Fair market value of investment property is determined by reference to market-based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and seller in an arm's length transaction as at the valuation date.

The results of the appraisal below showed that the fair market values of investment property exceeded the related carrying amounts as of December 31, 2013.

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

9. LIABILITY FOR LAND ACQUISITION

Liability for land acquisition represents the outstanding payable as of June 30, 2014 and December 31, 2013 relating to the Group's acquisition of parcels of land to be developed into malls and office building.

In 2011, the Group entered into a Contract to Sell (CTS) with HDC to purchase a parcel of land located in San Jose, Bulacan to be developed by the Company as commercial property in the future. Total contract price amounted to P52.5 million, out of which P5.3 million was paid upon execution of the CTS and the balance payable in quarterly payments over a period of five years commencing on January 15, 2012. The liability for land acquisition is noninterest-bearing and

measured at amortized cost using the effective interest rate method. The discount rate of 5.70% was determined by reference to prevailing interest rates on similar borrowings. The liability for land acquisition is noninterest-bearing and measured at amortized cost using the effective interest rate method. The discount rate of 5.70% was determined by reference to prevailing interest rates on similar borrowings. As of June 30, 2014, the Company has paid 25% of the total purchase price and the title to the land has already been transferred to the Company.

10. TRADE AND OTHER PAYABLES

This account consists of:

	30 Jun 2014	31 Dec 2013
Trade payables	**P 263,539,326**	P 358,064,198
Accrued rentals	**209,173,242**	253,023,867
Construction payable	**313,453,920**	131,758,912
Deferred output VAT	**131,371,837**	131,371,837
Estimated liability on property development cost	**50,579,827**	50,579,827
Accrued expenses	**3,624,383**	9,057,336
Other payables	**176,933**	176,933
	P 971,919,468	P 999,112,850

Accrued rentals pertain to the effect of straight-line recognition of contractual rent expense as prescribed by PAS 17, *Leases*. Accrued expenses represent the accrual for security, building maintenance and janitorial services, salaries and employee benefits, professional fees, interest on interest-bearing loans and borrowings and other administrative expenses as well as marketing and advertising expenses, which are expected to be settled within 12 months after the end of the reporting period.

11. EQUITY

12.1 Capital Stock

Capital stock consists of:

	Shares		Amount	
	30 Jun **2014**	31 Dec 2013	30 Jun **2014**	31 Dec 2013
Preferred – voting, cumulative, non-participating, non- convertible, non-redeemable – P0 01 par value				
Authorized	**10,000,000,000**	10 000 000 000	**P 100,000,000**	P 100 000 000
Issued and outstanding:				
Balance at beginning of year	**2,350,000,000**	2,350,000,000	**P 23,500,000**	P 23,500,000
Issuance during the year	**-**	-	**-**	-
Balance at end of year	**2,350,000,000**	2 350 000 000	**P 23,500,000**	P 23 500 000
Common shares – P1 00 par value				
Authorized	**16,900,000,000**	16 900 000 000	**P 16,900,000,000**	P 16 900 000 000
Issued and outstanding:				

Balance at beginning of year	**8,425,981,155**	8,425,981,155	**P 8,425,981,155**	P 8,425,981,155
Issuance during the year	**-**	-	**-**	-
Balance at end of year	**8,425,981,155**	8 425 981 155	**P 8,425,981,155**	P 8 425 981 155
			P 8,449,481,155	P 8 449 481 155

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

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

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

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

	Number of Shares Issued	Percentage Ownership
FPI	2,573,507,156	30.5%
PCDNC	5,831,436,554	69.2%
Others	21,037,445	0.3%
	8,425,981,155	100%

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

On November 13, 1970, the SEC approved the listing of the Company's common shares totaling 1.0 billion. The shares were initially issued at an offer price of P0.01 per share.

On November 10, 2004, the SEC approved the increase in the authorized capital stock of the Company to P4.5 billion divided into 4.5 billion shares with a par value of P1 each, as authorized by the Company's BOD.

In 2005, the Company applied for another increase in its authorized capital stock to P5.5 billion divided into 5.5 billion shares with a par value of P1 each, as authorized by the Company's BOD. On November 23, 2005, the SEC approved the increase in the authorized capital stock of the Company.

As of June 30, 2014 and December 31, 2013, 7.7 billion shares are listed in the PSE and closed at P6.05 and P3.62 per share, respectively.

12.2 Retained Earnings

The Company's BOD approved the declaration of cash dividends of P0.20 per share (or a total of P978,482,232) on November 20, 2007, payable on December 28, 2007, to stockholders of record as of December 5, 2007. As of June 30, 2014 and December 31, 2013, unpaid portion of these dividends amounting to P0.3 million is presented as Dividends Payable in the consolidated statements of financial position. There were no dividends declared for the period ended June 30, 2014 and the years ended December 31, 2013 and 2012.

12. EARNINGS PER SHARE

Earnings per share were computed as follows:

	30 Jun 2014	30 Jun 2013
Net profit attributable to parent company's shareholders	**P 230,327,998**	P 1,230,827,132
Divided by weighted outstanding common shares	**7,202,878,365**	7,202,878,365
Earnings per share	**P 0.03**	P 0.17

Diluted earnings per share was not determined since the Group does not have potential dilutive shares as of June 30, 2014 and 2013.

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of operations covering six months ended June 302014 vs. six months ended June 30, 2013

Revenues

Rental Revenue
Rental revenue increased by 17% from ₱584.0 billion in the semester ended June 30, 2013 to ₱675.8 million in the semester ended June 30, 2014 as a result of the increase in occupancy of Starmall Las Pinas, Starmall EDSA-Shaw, Starmall Alabang, Starmall San Jose del Monte and Worldwide Corporate Center.

Common Usage and Service Area Charges
Common usage and service area (CUSA) charges increased by 38% from ₱95.2 million in the six months ended June 30, 2013 to ₱131.4 million in the period ended June 30, 2014 consistent with the higher occupancy in 2014.

Parking Fees
Parking fee revenue increased from ₱16.7 million in the semester ended June 30, 2014 to ₱19.8 million in the semester ended June 30, 2014. The 19% increase was due to the increase in parking rates, improvement of parking system and increase occupancy in the existing malls and corporate office building.

Other Operating Income
Other operating income decreased from ₱42.8 million in the six months ended June 30, 2013 to ₱35.1 million in the period ended June 30, 2014. The 19% decrease is due to lower penalties for violations charged to tenants.

Gross Profit on Real Estate Sales
The Company recorded gross profit from real estate sales of ₱15.5 million in the six months ended June 30, 2014 for sales made in Brittany's Island Park project in Dasmariñas, Cavite. No sale was recorded in the same period in 2013.

Finance Income
Finance income increased by from ₱10.8 million in the six months ended June 30, 2013 to ₱9.8 million in the period ended March 31, 2014. The 9% decrease was due to the decline in interest rates on the savings and time deposit accounts of the Group.

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.

Equity in Net Earnings of an Associate
There is reported equity in net earnings of an associate in 2014 due to the disposal of remaining 4.1% shareholdings in VLL in May 2013.

Fair Value Gains (Loss)
The company reported fair value gains on its available for sale financial assets of ₱38.9 million in the six months ended June 30, 2014. In the period ended June 30, 2013 it recorded fair value loss on its available for sale financial assets in the amount of ₱10.1 million.

Costs and Expenses

Operating Costs and Expenses

Operating cost and expenses increased from ₱551.8 million in the six months ended June 30, 2014 to ₱598.2 million in the period ended June 30, 2014. The increase in the account was primarily attributable to the following:

- Increase in depreciation and amortization by 4% from ₱280.5 million in the six months ended June 30, 2013 to ₱291.1 million in the period ended June 30, 2014 due to the additional depreciation from new or refurbished mall equipments.

- Increase in occupancy expenses by 10% from ₱79.3 million in the period ended June 30, 2013 to ₱87.4 million in the six months ended June 30, 2014 due to the increase in utilities rates and in rental payments for the parcel of land in which the Worldwide Corporate Center is located.

- Increase in outside services by 20% from ₱73.2 million in the period ended June 30, 2013 to ₱88.1 million in the six months ended June 30, 2014 due to the increase in manpower and agency fees for the operations of the malls and office building, and for some start-up manpower for new malls to be opened.

- Increase in repairs and maintenance by 15% from ₱18.0 million in the six months ended June 30, 2013 to ₱20.6 million in the semester ended June 30, 2014 due to the repairs made to various equipment of the older malls and WCC building.

- Decrease in advertising and promotion by 13% from ₱7.3 million in the six months ended June 30, 2013 to ₱6.4 million in the period ended June 30, 2014 due to cost efficiencies done for marketing, advertising and promotions for the malls.

- Increase in salaries and employee benefits by 14% from ₱44.5 million in the six months ended June 30, 2013 to ₱50.8 million in the period ended June 30, 2014 due to the increase in manpower for the malls and office building.

- Decrease in taxes and licenses by 8% from ₱28.2 million in the semester ended June 30, 2013 to ₱25.9 million in the period ended June 30, 2014 due to tax savings from early payments of real property taxes of the various investment properties.

- Increase in other operating expenses by 34% from ₱20.9 million in the six months ended June 30, 2013 to ₱27.9 million in the period ended June 30, 2014 due to the increase in communication, transportation expenses and increased activities attribute to construction of new malls and office building

Interest and financing charges increased from ₱1.9 million in the semester ended June 30, 2013 to ₱18.9 million in the period ended June 30, 2014. This was due to additional interest–bearing loans obtained in the 2nd Semester 2013 and in the 1st Semester 2014.

Provision for tax increased by 69% from ₱43.8 million in the semester ended June 30, 2013 to ₱73.9 million in the period ended June 30, 2014. This was due to higher rental revenues and real estate sales in the 1st Semester 2014.

Comprehensive Income

As a result of the foregoing, the Company's comprehensive income decreased from ₱1.2 billion in the six months ended June 30, 2013 to ₱235.2 million in the six months ended June 30, 2014. Excluding the one-time gain in disposal of equipment, income increased from 205 million to 235 million.

For the six months ended June 30, 2014, 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, 2014 vs. December 31, 2013

Total assets were ₱25.3 billion as of June 30, 2014 and ₱24.3 billion December 31, 2013. The 5% increase was due to the following:

- Cash and cash equivalents posted a decrease of 9% from ₱1.1 billion as of December 31, 2013 to ₱1.2 billion as of June 30, 2014 due to outlays made for construction of new malls and office building.

- Trade and other receivables posted an increase of 12% from ₱846.0 million as of December 31, 2013 to ₱950.0 million as of June 30, 2014 due to additional mall tenants.

- Real estate properties for sale decreased by 1% from ₱715.6 million as of December 31, 2013 to ₱707.5 million as of June 30, 2014 due to real estate sale of Brittany's Island Park project in Cavite.

- Available for sale financial assets increased by 4% from ₱903.0 million as of December 31, 2013 to ₱941.9 million as of March 31, 2014 due to fair value gains in the company's debt and equity security investments.

- Investment properties increased by 5% from ₱16.4 billion as of December 31, 2013 to ₱17.2 billion as of June 30, 2014 due to the construction and development of new projects.

- Property and equipment decreased by 1% from ₱318.5 million as of December 31, 2013 to ₱313.8 million as of June 30, 2014 due to depreciation charges for the 1st Semester 2014.

- Other non-current assets increased by 45% from ₱119.8 million as of December 31, 2013 to ₱174.0 million as of June 30, 2014 due to security deposits made for land where the Taguig and Cebu projects are located and refundable deposits to utilities provider of the malls and office building.

Total Liabilities as of June 30, 2014 were ₱4.7 billion compared to ₱3.8 billion as of December 31, 2013, or a 23% increase. This was due to the following:

- Trade and other payables decreased by 2% from ₱999.1 million as of December 31, 2013 to ₱971.9 million as of June 30, 2014 due to amortization on straight line recognition of accrued rent expense and settlement of retention due to completed contractors contracts.

- Income tax payable increased by 14% from ₱41.9 million as of December 31, 2013 to ₱47.7 million as of June 30, 2014 due to accrued tax payable for the 1st Quarter & 2nd Quarter 2014.

- Other current liabilities increased by 27% from ₱25.1 million as of December 31, 2013 to ₱31.9 million as of June 30, 2014 due to increase in tenants' deposits.
- Interest-bearing loans and borrowings increased by 58% from ₱1.8 billion as of December 31, 2013 to ₱2.8 billion as of June 30, 2014 due to loans availed in the 1st Semester 2014.

- Deferred gross profit on real estate sales increased by 13% from ₱27.7 million as of December 31, 2013 to ₱31.3 million as of June 30, 2014 due to deferred gross profit in real estate sales for the 1st Semester 2014.

- Deferred tax liabilities increased by 2% from ₱98.2 million as of December 31, 2013 to ₱100.0 million as of June 30, 2014 due to recognition of tax liabilities in the 1st Semester 2014.

- Other non-current liabilities increased by 1% from ₱500.1 million as of December 31, 2013 to ₱503.9 million as of June 30, 2014 due to receipt of deposits from various mall and BPO building tenants.

Total stockholder's equity increased by 1% from ₱20.5 billion as of December 31, 2013 to ₱20.7 billion as of June 30, 2014 due to the net profit realized for the six months ended June 30, 2014.

Top Five(5) Key Performance Indicators

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

Key Performance Indicators	06/30/2014	06/30/2013
Current ratio [a]	3.9	3.5
Debt-to-equity ratio [b]	0.22	0.14
Interest coverage ratio [c]	30	243
EBITDA margin [d]	64%	63%
Return on equity [e]	1.10%	6.0%

Notes:

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

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

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

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

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

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

Current ratio as of June 30, 2014 increased from that of June 30, 2013 due to the loans availed in the 1st Semester 2014.

The increase in debt-to-equity ratio as of June 30, 2014 was due to the increase in interest-bearing loans in the 1st Semester 2014.

Interest coverage for the quarter ended June 30, 2014 decreased because additional borrowings made in the 2nd half of 2013 and 1st Semester 2014.

EBITDA margin increased from 63% to 64% with the further improvement in the operational efficiency.

Return on equity is decreased as a result of higher equity in the 1st Quarter 2014 and the non-recurrence of equity in income of an associate and gain on sale of shares of VLL. Without the one-time gain in 2013, return on equity is 1.0%

Material Changes to the Company's Statement of Financial Position as of June 30, 2014 compared to December 31, 2013 (increase/decrease of 5% or more)

Cash and cash equivalents posted a decrease of 9% from ₱1.1 billion as of December 31, 2013 to ₱1.2 billion as of June 30, 2014 due to outlays made for construction of new mall and office building.

Trade and other receivables posted an increase of 12% from ₱846.0 million as of December 31, 2013 to ₱950.0 million as of June 30, 2014 due to additional mall tenants.

Investment properties increased by 5% from ₱16.4 billion as of December 31, 2013 to ₱17.2 billion as of June 30, 2014 due to the construction and development of new projects.

Other non-current assets increased by 45% from ₱119.8 million as of December 31, 2013 to ₱174.0 million as of June 30, 2014 due to security deposits made for land where the Taguig and Cebu projects are located and refundable deposits to utilities provider of the malls and office building.

Income tax payable increased by 14% from ₱41.9 million as of December 31, 2013 to ₱47.7 million as of June 30, 2014 due to accrued tax payable for the 1st Quarter & 2nd Quarter 2014.

Other current liabilities increased by 27% from ₱25.1 million as of December 31, 2013 to ₱31.9 million as of June 30, 2014 due to increase in tenants' deposits.

Interest-bearing loans and borrowings increased by 58% from ₱1.8 billion as of December 31, 2013 to ₱2.8 billion as of June 30, 2014 due to loans availed in the 1st Semester 2014.

Deferred gross profit on real estate sales increased by 13% from ₱27.7 million as of December 31, 2013 to ₱31.3 million as of June 30, 2014 due to deferred gross profit in real estate sales for the 1st Semester 2014.

Material Changes to the Company's Statement of Comprehensive Income for the six months ended June 30, 2014 compared to the six months ended June 30, 2013 (increase/decrease of 5% or more)

Rental revenue increased by 16% from ₱584.0 billion in the semester ended June 30, 2013 to ₱675.8 million in the semester ended June 30, 2014 as a result the increase in occupancy of Starmall Las Pinas, Starmall EDSA-Shaw, Starmall Alabang, Starmall San Jose del Monte and Worldwide Corporate Center.

Common usage and service area (CUSA) charges increased by 38% from ₱54.3 million in the six months ended June 30, 2013 to ₱95.2 million in the period ended June 30, 2014 consistent with the higher occupancy in 2014.

Parking fee revenue increased from ₱16.7 million in the semester ended June 30, 2014 to ₱19.8 million in the semester ended June 30, 2014. The 19% increase was due to the increase in parking rates,

improvement of parking system and increase occupancy in the existing malls and corporate office building.

Other operating income decreased from ₱42.8 million in the six months ended June 30, 2013 to ₱35.1 million in the period ended June 30, 2014. The 19% decrease is due to lower penalties for violations charged to tenant.

The Company recorded gross profit from real estate sales of ₱15.5 million in the six months ended June 30, 2014 for sales made in Brittany's Island Park project in Dasmariñas, Cavite. No sale was recorded in the same period in 2013.

Finance income increased by from ₱10.8 million in the six months ended June 30, 2013 to ₱9.8 million in the period ended March 31, 2014. The 9% decrease was due to the decline in interest rates on the savings and time deposit accounts of the Group.

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. There was no similar transaction in the same period in 2014.

There is no reported equity in net earnings of an associate in 2014 due to the disposal of remaining 4.1% shareholdings in VLL in May 2013.

The company reported fair value gains on its available for sale financial assets of ₱38.9 million in the six months ended June 30, 2014. In the period ended June 30, 2013 it recorded fair value loss on its available for sale financial assets in the amount of ₱10.1 million.

Increase in occupancy expenses by 10% from ₱79.3 million in the period ended June 30, 2013 to ₱87.4 million in the six months ended June 30, 2014 due to the increase in utilities rates and in rental payments for the parcel of land in which the Worldwide Corporate Center is located.

Increase in outside services by 20% from ₱73.2 million in the period ended June 30, 2013 to ₱88.1 million in the six months ended June 30, 2014 due to the increase in manpower and agency fees for the operations of the malls and office building, and for some start-up manpower for new malls to be opened.

Increase in repairs and maintenance by 15% from ₱18.0 million in the six months ended June 30, 2013 to ₱20.6 million in the semester ended June 30, 2014 due to the repairs made to various equipment of the older malls and WCC building.

Decrease in advertising and promotion by 13% from ₱7.3 million in the six months ended June 30, 2013 to ₱6.4 million in the period ended June 30, 2014 due to cost efficiencies done for marketing, advertising and promotions for the malls.

Increase in salaries and employee benefits by 14% from ₱44.5 million in the six months ended June 30, 2013 to ₱50.8 million in the period ended June 30, 2014 due to the increase in manpower for the construction and development of new malls and office buildings.

Decrease in taxes and licenses by 8% from ₱28.2 million in the semester ended June 30, 2013 to ₱25.9 million in the period ended June 30, 2014 due to tax savings from early payments of real property taxes of the various investment properties.

Increase in other operating expenses by 34% from ₱20.9 million in the six months ended June 30, 2013 to ₱27.9 million in the period ended June 30, 2014 due to the increase in communication, transportation and increased activities attributes to construction of new malls and building office.

Interest and financing charges increased by 882% from ₱1.9 million in the semester ended June 30, 2013 to ₱18.9 million in the period ended June 30, 2014. This was due to additional interest–bearing loans obtained in the 2nd Semester 2013 and in the 1st Semester 2014.

Provision for tax increased by 69% from ₱43.8 million in the semester ended June 30, 2013 to ₱73.9 million in the period ended June 30, 2014. This was due to higher rental revenues and real estate sales in the 1st Semester 2014.

COMMITMENTS AND CONTINGENCIES

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

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

There are no events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation except for those items disclosed in the 1st Semester 2014 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 2014 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.**

In the 1st Semester 2014, the Group started construction and development of its commercial buildings to be located in Molino, City of Bacoor, Sta. Rosa, Laguna and Imus, Cavite.

B. **Composition of Board of Directors**

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

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

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

D. **Declaration of Dividends.**

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 2014 Operations and Financials.</u>

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

None.

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

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

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

See Notes to Financial Statements and Management Discussion and Analysis.

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

None.

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

None.

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

None.

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

None.

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

None.

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

None.

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

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

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

As of June 30, 2014, 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 six months ended June 30, 2014 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 13, 2014